CITY OF BURTON

FINANCE COMMITTEE MEETING

OCTOBER 5, 2015

AGENDA

Council Chambers	Special Meeting	6:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

A. ROLL CALL

B. STAFF PRESENT

C. APPROVAL OF MINUTES

1. Finance Committee - Special Meeting - Feb 18, 2015 3:00 PM
2. Finance Committee - Special Meeting - Jul 29, 2015 5:00 PM
3. Finance Committee - Special Meeting - Aug 25, 2015 3:00 PM
4. Finance Committee - Special Meeting - Sep 21, 2015 5:30 PM

D. AUDIENCE PARTICIPATION

Now is the time set-aside for members of the audience to address the Finance Committee. I would ask each individual to give their name and address for the record and to limit their comments to five (5) minutes and to speak on the topics germane to City business.

E. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

A. Line item Budget Amendament Limits

DRAFT

BURTON, MICHIGAN

FINANCE COMMITTEE MEETING

FEBRUARY 18, 2015

MINUTES

Council Chambers	Special Meeting	3:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Chairman Vaughn Smith at 3:28 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Present	

B. STAFF PRESENT

Rik Hayman, Chief of Staff
Teresa Karsney, Clerk
Ginger Burke-Miller, Controller

C. AUDIENCE PARTICIPATION

None

D. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

A. Discussion and possible recommendation of General Fund, Sewer and Water Fund Balance Policy.

Mr. Smith asked the Controller, Mrs. Burke-Miller if she had anything to offer on this matter.

Mrs. Burke-Miller stated that she did a little bit of research on General Fund, Fund Balance policies and best practices. She found some verbiage that was quite fitting for the City from the Government Finance Officer Association. "The City shall maintain a minimum fund balance to provide reserves for unforeseen emergencies or revenue shortfalls and eliminate a need for short term borrowing for cash flow needs." She then took and applied it to the City of Burton, our operating expenditures for June 30, 2014 was 6.4 million, divided that by number of business days in a year and multiply by a minimum of 45 days working capital for the City and came up with around 17%. She stated that would be a bare bones minimum to operate. She is not comfortable with that as a minimum for the City. She would feel more comfortable with something higher than that. So she took our total fund balance as of June 30, 2014 and divided that by the operating expenses and we are currently at 33.8% or 4 months. If you take a look in the Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2014 our unassigned is just over 2 million so the bulk of that is set as unassigned and we are at 31%. We had discussion at the Council of Whole meeting on February 2, 2015 that 40% may be too high. She feels comfortable as the controller with around 33% to 35%. If you remember in my budget letter to City Council in the past we were running around 3 1/2 months worth of expenditures. Over the years we have been at 3 1/2 to 4 months worth of expenditures pretty consistently. You can set the floor wherever you want, I wouldn't recommend going any lower than 17% and as we talked before 3 months seems to be the amount that schools tend to use or 25%.

Mr. Martinbianco said new qualifying standard under GASB 54 that may or may not impact general fund specifically. Is that going to present a problem if we limit ourselves to that 31% or 3 months calculation? As per GASB 54 the Cities policies shall be that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category which is non spend able in order to the least restricted which is unassigned. Of our general fund, there is nothing that has any restrictions.

Mrs. Burke-Miller said there was a portion in this CAFR that was non spend able, it was $150,216. Which might be prepaid expenses.

Mr. Martinbianco stated he is only concerned about if we had some guarantee loans that general fund made to water, sewer or road whatever the case was, that we had to guarantee that amount of money first to be set aside.

Mrs. Burke-Miller stated generally the best practices according to the Government Fiance Officer Association is to set a policy based on your unrestricted or unassigned. The bulk of ours is sitting in the unassigned category. She said the policy should state that we don't allow the unassigned portion to dip below a certain amount.

Mr. Smith asked Mrs. Burke-Miller if he understands what she said, that the fund balance policy would only apply to the unassigned portion of general fund.

Mrs. Burke-Miller said that in the best practices there is a difference between your budget fund balance and what you put on the CAFR. For budgeting process you could say you don't want to dip below a certain amount.

Mr. Martinbianco stated that he felt 4 month of expenses or 33% is a good start. He feels this won't tie future council hands. We can discuss more or less at the budget talks. He feels we should also have a reserve for Capital projects such as road, water and sewer.

Mr. O'Keefe said preparing for the meeting thought the most discussion would be around the minimum fund balance. He agrees with Mr. Martinbianco that we have other issues that we need to set money aside for. He feels that Mrs. Burke-Miller's narrative was a great start and now we need to put in a dollar amount or a percentage. The City has a lot of items on its plate and we don't want to tie our hands. His comfort level was about 30% but he would agree to 33%. He feels we need to cautious but not to restrict ourselves too much. He thinks a percent would be better than a dollar amount. We have had a lot of discussion on general fund but we also need to discuss water and sewer fund. Is there enough through the billing of water and sewer for them to support themselves. This hasn’t been done in the past and now we are looking to see how to pay for the repairs that are needed now and in the future.

Mrs. Burke-Miller stated that we are currently at 31% and we would have to add to it if we want to go to 33% this coming year, but she feels it is doable. Another item she wanted to bring up in the example from GFOA is addition verbiage about what would you do if you needed to dip into it for an emergency. "Recognize that unforeseen events may cause short-term breaches of these fund balances reserves. However, if such a breach occurs, or is expected to occur with the five year planning cycle, the budget balancing strategies will be invoked to determine corrective actions. When necessary, the following budget-balancing strategies will be used in order of priority." 1) reduce expenditure through improved productivity. 2) shift expense to other parties. 3) create new service fees or increase existing fees. 4) see tax rate increases. 5) reduce or eliminate services." This is an example from the City of Sidney, Ohio. The City has looked to reduce expenses wherever possible and has done so pretty well in the past.

Mr. Smith stated he doesn't want a policy that they are going to have to break all the time. The question becomes at what level is a good percent that this Council can work with. What are we doing with the citizens dollars, is that we are making their life's better. This will be a tool for future council's to use. A sinking fund is what we want but that may not be the proper term.

Mrs. Burke-Miller said she would like to call Doug Deeter and check with him. Not sure if you can just take an amount and set it aside with a project in mind.

Mr. Martinbianco said he feels like sometimes the tax payers don't understand. That it is all one large pot of money. They don't realize that we collect for the schools, college and the county, that all their tax money doesn't all stay with the city.

Mrs. Burke-Miller stated that for the enterprise funds they use the word working capital as the measure of available margins or buffer for these type funds. Working capital is defined as current assets minus current liabilities. The target for working capital should be no less than forty-five days' worth of annual operating expenses.

Mrs. Burke-Miller stated that she is going to talk with Doug Deeter about the 30 to 33%, also about the excess fund balance and about a plan for water and sewer.

CITY OF BURTON

FINANCE COMMITTEE MEETING

JULY 29, 2015

MINUTES

Council Chambers	Special Meeting	5:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Chairman Vaughn Smith at 5:00 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Late	5:10 PM
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Present	

B. STAFF PRESENT

Teresa Karsney, Clerk
Doug Bingaman, Treasurer
Amanda Doyle, City Attorney
Steven Hatfield, City Council
Ginger Burke-Miller, Controller
Robert Slattery, DPW Director
Ellen Ellenburg, City Council

C. AUDIENCE PARTICIPATION

None

D. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

Mr. Smith opened the meeting by starting with Water/Sewer Rates.

A. Discussion and possible recommendation of a Fund Balance Policy.

From the Michigan Municipal League handbook it stated you should adopt a fund balance policy. A typical policy is one to three months of operating expenditures or five to twenty percent of annual budgeted expenditures. GFOA suggested 45 days of expenses for enterprise funds.

Mrs. Burke-Miller feels that 15 percent is too low and 25 percent is too high. Her recommendation is to adopt a fund balance policy of maintaining 20 percent of annual expenditures as unrestricted. Water and Sewer cash reserves policy of 50 percent of annual expenditures.

All Committee members feel that they like the City of Grand Blanc Fund Balance Policy. They would like Mrs. Burke-Miller to take Grand Blanc Fund Balance policy and change to fit Burton and resubmit to Council.

B. Approve and authorize the Treasurer to adjust water rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: Ready to Serve Charge – $ per month 5/8" meter – $16.85 ¾" meter – $16.85 1" – $28.65 1 ½" – $58.98 2" – $112.90 3" – $252.75 4" – $454.95 6" – $1,011.00 8" – $1,685.00. 10" – $3,622.75 Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.

Mrs. Burke-Miller stated that she handed out an informational article that came from Plante Moran which stated setting water and sewer rates should be a deliberate and annual process. Rate setters should also seek to limit the variability in the rate increases passed on to customers. Most customers can understand the need for reasonable and steady increases in rates from year to year. What's more likely to draw an outcry is a dramatic spike in rates after multiple years of little or no increases.

Mr. Bingaman elaborated on how rate increases will affect residential customers if enacted upon. Mr. Bingaman provided a spreadsheet illustrating current and proposed rates and also depicting monthly increases and increase per bill by meter size.

Ms. Burke-Miller shared information obtained from the City Bond Attorney Tom Colis from Miller Canfield summarizing the covenant of the City in relationship to the bond ordinances, the City must maintain rates sufficient to sustain and operate system, and be able to pay debt service. Mr. Colis's email stated that if the current rates cover the operation and maintenance of the System and debt service on all outstanding bonds and there the bond reserve is properly fund, the City would not have to increase rates. To the extent the rates are insufficient; the City has covenanted to have sufficient rates to cover the bonds. If proper action is not taken, the City could be in default of one of the covenants in the Ordinance.

Mrs. Burke-Miller also shared correspondence information from Bendzinski & Company. That did a rate study for the City of Burton in regards to water and sewer rates. Mr. Robert Bendzinski's email it stated that current rates are not sufficient to sustain, operate and pay debt service. Mr. Bendzinski also pointed out in the Bond Resolution to be approved by City Council in August; section 10 states "No free service or use of the System, or service or use of the System at less than cost, shall be furnished by the System to any person, firm, or corporation, public or private, or to any public agency or instrumentality, including the Issuer. Once again summarizing the City's responsibility to sustain and operate the system and able to pay the debt service.

Mrs. Amanda Doyle summarized that using General Funds to subsidizing water and sewer rates, but the ordinance states cannot provide for less than cost.

Mr. Smith asked Mrs. Doyle, if we reduced the police millage and increased the water and sewer it would be a wash, what are the legalities of this type of action.

Mrs. Doyle stated that is not a legal question, would caution against using general fund dollars to support "enterprise funds" water and sewer.

Mrs. Burke shared Mr. Kray's email with his concerns over the delay of the implementation of the rate increase causing loss of valuable revenue. He went as far as breaking down what we would have to charge to make of the difference since we didn't increase the rates until September.

Mr. Smith expressed concerns over Net Funds from 2008 through 2014; chart provided by Mr. Smith showed a 1.7 million drop in revenue in the sewer fund over the course of the seven years. The current controller is handling depreciation the same way the old controller was handling it thru two administrations.

Mrs. Burke spoke with Dima El-Gamal from Stantec, total amount of bonds the City is taking on as a liability would be $21.5 million total; we would have to increase in rates to support water and sewer system and have the ability to make the bond payments.

Mr. Smith understands there is a problem here, requested info from Administration in reference to chart on Table 13 of the sewer study. Mr. Smith would like Mr. Bingaman to go thru the monthly REU on the bottom of this chart.

Mr. Bingaman said we charge our sewer only customers a flat rate. The number indicates our current flat rate of $37.92 and we are proposing to increase it to $41.18.

Mr. Smith expressed concerns for those residents that have wells; what options do they have?

Mr. Bingaman stated those residents could get a meter for their well and be charged for only sewer based on their consumption.

Mr. Smith, what are the plans for the city to educate the public.

Mr. Bingaman stated there is a flyer they hand out explaining rates and billing for meters.

Mr. Smith how are you informing residents?

Mr. Bingaman stated nothing has been generated for the public information other than the flyer. We could compose a letter with the Mayor's input explaining increases over the next five years and option for purchasing a meter, would include rate study information.

Mr. Smith asked do you see these numbers going up or down, or are they locked down?

Mr. Bingaman suggested we follow the study for the first couple years then evaluate to see if rate increases are still needed.

Mr. Smith stated that the Rate Study isd currently on Burton Council Facebook page, what other avenues are there to get the information out?

Mr. Bingaman stated possibly put the information in the Clerk's Office, or out on the website.

Mr. Hatfield stated that this could be discussed at the Public Access meeting.

Mr. Smith wants it out on the website, to explain it to the residents so they understand. The City is using more of these types of survey's the people don't know about the surveys, we need to educate them.

Mr. Slattery suggested generate free publicity through a media release to inform people, that the information is out there and where to find it.

Mr. O'Keefe stated over last couple of year's administration and council have done their due diligence in these sorts of matters. Looking towards the future for the City needs, he sees no other alternative and will vote for the approval of this increase. What happens if we have a problem with the system down the road.

Mr. Martinbianco has a different interruption to no free service, his take would be someone hooked up illegally to water or sewer. Or some illegally hooked up to a septic tank and not being billed for sewer. Cost containment within the system is the underlying fallacy in Mr. Bendzinski interpretation is he is talking the 9% per year increase from the county with respect to sewer usage; usage has gone 1.6 % annually since 2009, so the 9% is artificial and has not addressed core issue, it's possible we could be overcharged by the county; to bill that specification into future years as an estimate is out of line in terms of our cost for treatment expense. Maybe there needs to be more cost containment in the department.

All council members expressed concern over the 9% increase from the Bendzinski study and net position figures presented in Mr. Vaughn Smith's spreadsheet. Council will inquire of Mr. Bendzinski at Monday's Council Meeting.

Mr. Martinbianco asked when the budget was approved what bases were used for revenues.

Mr. Slattery stated we used the new rates for the budget of revenues.

Council would like to see a copy of the rate study with the budget and a note in the budget showing we are using the new rates for revenues.

C. Approve and authorize the Treasurer to adjust City of Burton's portion of the sewer rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: $11.29/REU/per month Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.

Meeting was adjourned at 6:28 PM.

CITY OF BURTON

FINANCE COMMITTEE MEETING

AUGUST 25, 2015

MINUTES

Council Chambers	Special Meeting	3:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Councilman Tom Martinbianco at 3:15 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Present	

B. STAFF PRESENT

Paula Zelenko, Mayor
Teresa Karsney, Clerk
Tom Osterholzer, Police Chief
Steven Hatfield, Council Member
Ginger Burke-Miller, Controller
Sue Warren, Human Resources
Rik Hayman, Chief of Staff

C. AUDIENCE PARTICIPATION

None

D. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

A. Line Item Budget Transfer

B. Budget Amendment (Amendment 3 & 4) To approve and authorize the following budget amendment: Increase General Fund Grant Revenue 1001-0000-539.0002 $99,372.75 Increase Expenditure Park & Recreation DNR Grant Expenditures 1001-6090-956.6090 $99,372.75

We didn't realize that this project was going to span over two different fiscal years.

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

C. Budget Amendment 5 & 6 To Approve and Authorize the following budget amendment: Decrease 1001-8001-864.0000 Planning Training by $200 Increase 1001-8005-864.0000 Zoning Training by $200

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

D. Budget Amendment 7-10 To approve and authorize the following budget amendment: To increase 2002-4051-802.7586 Major Street Center Road (Court to Davision) by $1,424.33 To increase 2002-4051-802.7588 Major Street Atherton Road (Dort to Center) by $298.54 To increase 2002-4051-802.7590 Major Street Center Road (Atherton to Lippincott) by $3,272.45 To decrease 2002-4051-802.7589 Major Street Bristol Road Bridge by $4,995.32

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

E. Budget Amendment 11 & 12 To Approve and Authorize the following budget amendment: Increase 2002-4082-719.0000 Major Street Administration Fringe Benefits by $20,000 Decrease 2002-4063-719.0000 Major Street Surface Maintenance Fringe Benefits by $20,000

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

F. Budget Amendment 13 & 14 To Approve and Authorize the following budget amendment: To increase 2003-4082-719.0000 Local Street Administration Fringe Benefits by $20,000 To decrease 2003-4063-719.0000 Local Street Surface Maintenance Fringe Benefits by $20,000

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

G. Budget Amendment 15-18 To Approve and Authorize the following budget amendment: Increase 2007-2007-811.7798 Police Hemp Grant Expense (FANG) by $739.04 Increase 2007-2007-811-7815 Police OCDETF Point Blank Grant Expense by $2,175.17 Increase 2007-0000-629.7815 Police OCDETF Revenue by $2,175.17 Increase 2007-0000-629.7798 Police Hemp Grant Revenue by $739.04

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

H. Budget Amendment 19 & 20 To Approve and Authorize the following budget amendment: Increase by 2049-2061-964.0000 Building Soil Erosion Services $700 Decrease 2049-2061-757.0000 Building Operating Supplies By $700

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

I. Budget Amendment 21-23 To approve and authorize the following budget amendment To increase 1001-6090-973.2004 Parks & Recreation Movie Expenditures by $491.85 To increase 1001-6090-973.2004 Parks & Recreation Movie Expenditures by $813.97 To decrease 1001-6090-973.0000 Park & Recreation Community Events by $1,305.82

Mr. Smith asked if this is totally funded by itself.

Mr. Hayman stated he would go check with Mrs. Bigsby.

Mrs. Bigsby said no these are not fully funded by sponsors.

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

J. Budget Amendment 24-27 To Approve and Authorize the following Budget Amendments: Increase 2072-0000-973.2005 Police/Fire Sculpture Fund Patriot Day Hero Expense by $20,000 Decrease 2072-0000-818.0000 Police/Fire Contractual Service by $20,000 Increase 2072-0000-690.2005 Police/Fire Patriot Day Hero Race Proceeds by $20,000 Decrease 2072-0000-671.0000 Police/ Fire Sculpture Fund Donations by $20,000

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/3/2015 2:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

K. 1802 : Health Care Cost Motion to recommend this to City Council.

Mayor Zelenko stated it has been difficult to find qualified staff for the Police and Department of Public works because we only offer single coverage to new hires. We have found qualified staff but they are not interested in the position because we only offer single coverage. We are looking at hiring in the DPW and Police but candidates need family coverage. We are looking to put family coverage back in the contracts for the employees and this is why we are bring this back to you. This has been a real stumbling block for us.

Mrs. Burke-Miller went over the spreadsheet that was handed out if we considered going to family coverage and what it would cost the City.

Mr. O'Keefe asked Chief Osterholzer if he felt this was a problem and how many officers we currently have.

Chief Osterholzer stated that we have 34 officers currently because we have 3 out on sick leave. He stated with us not having family coverage, officers are taking the jobs that have the family coverage. Officers are working overtime because our staff is down and we need to hire some officers but we would like to offer the family coverage.

Mr. Smith asked the Mayor, where would you pull the $86,514.00 to fund this year and where would you get the $177,648.00 for future year.

Mayor Zelenko stated it would be general fund unappropiated surplus for this year.

Mr. Martinbianco asked if these numbers are with the 20% copay of public act 152.

Mayor Zelenko stated we are under hard cap.

Mr. Martinbianco asked about raising the payout for people who don't take insurance.

Mayor Zelenko stated we did not have a discussion on that.

RESULT:	**RECOMMENDED [UNANIMOUS]**	**Next: 9/8/2015 7:00 PM**
MOVER:	Dennis O'Keefe, Councilman	
SECONDER:	Tom Martinbianco, Councilman	
AYES:	Martinbianco, O'Keefe, Smith	

L. MERS Actuarial

Mrs. Burke-Miller went over the MERS Significant highlights which included:

1. The funded ratio has improved from 38% as of 12/31/13 to 41% as of 12/31/14.

2. The employee contribution rate for the police officers declined significantly from 32.29% to 21.15% per the report. Although, per the union contracts, we are holding the officers at only 9% employee contribution. AFSCME, however, increased from 13.36% employee contribution to 14.45%. This is due to the employer cap and the fact that the extra $1M deposited in late December 2014 significantly impacted the police as they have a larger liability but had less of impact on AFSCME. Also, the $1M did not have any real chance to grow investment earnings with less than 10 business days left in the business year from the date of deposit.

3. MERS portfolio return was as follows:

Year	1	2	3	4	5	30
Invest ment Return	6.49%	10.54 %	10.73 %	8.48%	9.59%	

4. We are in year 7 of the smoothing of the losses incurred during 2008 which MERS calls a "on in 50 year event comparable only to the Stock Market Crash of 1929 during the Great Depression." So when we factor in the smoothing it brings our realized actuarial rate of return down to 5.90% for 2014 from 6.49% in the chart above.

5. According to this report (last sentence on page 6) in order for the City of get 100% funded in 10 years, MERS estimates that we would need to put in an additional $1,594.092 per year. So you can see that the additional $1M per year that we are putting forth is definitely accelerating us, but we are shy of $594K of hitting the 10 year goal.

6. As you know, MERS has been shortening the amortization schedule from 30 years to 20 years. Each year they lessen the number of years by one year. This particular actuarial valuation reflects a 25 year amortization. So we have 5 more years to get through before this levels outs.

7. On page 7 under "How and Why do these numbers change?" this is a comment "Because assumptions are for the long term, plan experience will not match the actuarial assumptions in any given year (except by coincidence). Each annual valuation will adjust the required employer contributions up or down based on the prior years actual experience."

8. On page 8, it mentions that every 5 years MERS conducts an experience study to review the assumptions and methods used to mitigate the economic, demographic and contribution volatility risks. Their next study will be conducted this year (2015). Mrs. Burke-Miller read aloud from a email from Chris DeRose from MERS. "The Board recently took action on several items based on the recommendations of the study from our actuaries. The first impact will be to your 2017 fiscal year contributions. The most impactful areas are changes to the Mortality Rates Table and Investment Rate of Return Assumptions. The Experience Study showed that our defined benefit participants are living longer. While probably not surprising, this will increase cost as we project pensions will be paid out longer than previously assumed. In addition, we have lowered our investment assumption from 8% to 7.75% to reflect our current judgment of what we can earn on our assets over the long run. This change will result in increased costs as we assume less of the pension payments will come from investment earnings".

9. Per the chart on page 18, we see the 50% of the actuarial accrued liability is $24,168.923. If we subtract the total of the "valuation assets" from that we get $4,593285 (24,168,923-$19,575,638). If we continue to make the $1M payment, we will make up ground that we have lost over the last few years.

Upon receiving the 12/31/14 valuation, we quickly spotted the AFSCME employee contribution had increased. We though that was odd considering the additional $1M having been deposited and the fact that we saw the drop in the police officers' employee contribution. The reason given were the shortening of the amortization schedule, acknowledgement that AFSCME wages increased, the employer percentage stays static at 12.5% (is capped) and the fact that there are pending refunds. According to MERS, an employee who terminates employment with the City can withdrawal all of their employee contributions. Some do this if they do not ever see themselves working for another municipality. Others do this even if they are vested in the plan and they choose not to defer their retirement. To defer retirement means that they are vested and could wait until the designated retirement age (age 50 or 55 depending on the plan) to begin collecting their monthly MERS benefit. However, they could be in deferred status but decide to forgo their entire MERS benefit solely because they want to withdrawal all of their employee contribution. Per Marne, MERS tries to advise employees that this may not be in their best interest but she says it does happen some times. If that does happen and they forego the benefit, then that portion employer defaults back into the plan to be used for the remaining employees who are participating.

Mr. O'Keefe asked what is going on our independent audit of the MERS with Gabriel, Roeder, Smith & Company. When will we be getting the results.

Mrs. Burke-Miller stated they are working on it but she doesn't have an update on it yet.

Mr. Smith stated he felt that we don't have a choice expect to continue to make additional payments or we will just keep getting further and further behind.

Committee feels we need to hold off on making additional payments until get we get the independent audit back.

Meeting was adjourned at 4:34 PM.

CITY OF BURTON

FINANCE COMMITTEE MEETING

SEPTEMBER 21, 2015

MINUTES

Council Chambers	Special Meeting	5:30 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Councilman Dennis O'Keefe at 5:30 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Late	5:35 PM

B. STAFF PRESENT

Paula Zelenko, Mayor
Ginger Burke-Miller, Controller
Rik Hayman, Chief of Staff
Teresa Karsney, Clerk

C. AUDIENCE PARTICIPATION

None

D. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

E. MOTION FOR RECOMMENDATION FOR CITY COUNCIL APPROVAL:

Mrs. Burke-Miller explained each of the agenda items.

The following items were all agreed upon by the Finance Committee and recommended that the items all be referred to City Council.

It was discussed that they will have a Special Finance Committee meeting to talk about setting limits for the line item budget. Will be writing a policy for the administration. Example if an item is under a certain dollar amount that it will not have to come to Finance and Council for approval. Meeting is set for October 5, 2015 at 6:00 p.m.

1. Approve and authorize $300.00 from 1001-6090-973.2001 the Burton Memorial Day Race to the Burton Historical Society, 2228 S. Term St.., Burton, MI 48519, per The Recommendation Of The Park and Recreation Commission.

   Mayor Zelenko stated that this is not a normal expenditure. The Memorial Day Race Committee wanted to make a contribution to the Burton Historical Society for their Ice Cream Social Event.

   Mr. Smith stated that this is not public money. It is from the proceeds of the Memorial Day Race. Money that has been raised by the Race Committee.

   Mr. Martinbianco stated that Burton Historical Society has to be a 501 3C for them to be able to donate money to them.

Mr. Smith stated they are a 501 3C non-profit organization.

Mayor Zelenko stated they just wanted to make sure the Council was aware and understood this payment.

2. Budget Amendment 28-31 Approve and authorize the following budget amendment: Increase 2007-0000-629.7798 Hemp Grant Revenue (FANG) by $490.25; Increase 2007-0000-629.7815 Point Blank Grant Revenue by $589.28; Increase 2007-2007-811.7798 Hemp Grant Expense (FANG) by $490.25; Increase 2007-2007-811.7815 OCDETF Point Blank Grant Expenditures by $589.28.

3. Budget Amendment 32-33 Approve and authorize the following budget amendment: To decrease 2003-4082-818.0000 Contractual Services by $13.79; Increase 2003-4082-943.0000 Equipment Rental by $13.79.

4. Budget Amendment 34-37 Approve and authorize the following budget amendment: Decrease 2002-4051-802.7589 Bristol Road Bridge 2013-2014 by $4,540.02; Increase 2002-4051-802.7586 Center Road (Court - Davision) by $933.53; Increase 2002-4051-802.7588 Atherton (Dort - Center) by $1,576.14; Increase 2002-4051-802.7590 Center Rd (Atherton - Lippincott) by $2,030.35.

5. Budget Amendment 38-39 Approve and authorize the following budget amendment: Decrease 6061-6061-818.0000 Contractual Services by $40.20; Increase 6061-6061-706.7007 Equipment Maintenance by $40.20.

6. Budget Amendment 40-43 Approve and authorize the following budget amendment: Decrease 1001-6090-956.6090 DNR Grant Fund $2,067.31; Increase 1001-9099-999.4001Transfer to other funds Capital Improvements $2,067.31; Increase 4001-000-691.1001 Contribution from other fund $2,067.31; Increase 4001-000-895.0000 Park Projects $2,067.31.

7. Budget Amendment 44-45 Approve and authorize the following budget amendment: Decrease 1001-6090-973.0000 P & R Community Events $2,500.00; Increase 1001-6090-973-1200 Trick or Treat Trail $2,500.00 which was recommended by the Park and Recreation Commission.

8. Budget Amendment 46-47 Approve and authorize the following budget amendment: Decrease 2002-4082-818.0000 Contractual Service by $7.74; Increase 2002-4082-943-0000 Equipment Rental by $7.74.

Meeting was adjourned at 5:13 PM.

Finance Committee
4303 S. Center Road
Burton, MI 48519

SCHEDULED

Meeting: 10/05/15 06:00 PM
Department: Clerk's Office
Category: Discussion
Prepared By: Teresa M. Karsney
Department Head: Teresa M. Karsney

AGENDA ITEM (ID # 1881)

DOC ID: 1881

Line item Budget Amendament Limits