CITY OF BURTON
FINANCE SUB-COMMITTEE MEETING MINUTES
MAY 22, 2007, 4:00 P.M., COUNCIL CHAMBERS
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The Finance Meeting is called to order by Chairman Ralph LaDuke at 4:00 P.M.

MEMBERS PRESENT: LaDuke, Tinnin and Major.

MEMBERS ABSENT: None.

OTHERS PRESENT: G. Kray, DPW Director and J. Adams, Deputy City Clerk.

PURPOSE OF THE MEETING: DISCUSSION AND POSSIBLE RECOMMENDATIONS CONCERNING THE FOLLOWING ITEMS:

1. **Tap-In Fees**
2. **Ordinance 68-C**
3. **Elected Officials Benefits**
4. **Negotiations Strategy Local 214**

Mr. LaDuke stated the Committee will table agenda #4 to be discussed at a later date.

Mr. LaDuke said he did a comparison of five other communities. He called and got their tap-in fees. He found the City of Burton is not extraordinarily high in either water or sewer, and is probably in the middle when it comes to tap-in fees.

There is not a presentation at this time and he will go into Audience Participation.

AUDIENCE PARTICIPATION:

Wesley Hawks, 1203 Arrowhead Dr., stated there are people in the community who do not have insurance and are struggling to pay medical bills. The Council are not even part time employees and we are paying for their health insurance and medical. He does not feel it is fair to the taxpayers.

Pauline Dargel, 6119 Hugh St., said she has reviewed the tap-in fees in the past and agrees with Mr. LaDuke's analysis. As to Ordinance 68-C, the Clerk and Fire Chief are not taking some particular benefits and in lieu of that, makes some increase in their wage. Should there be a change in that position, it would revert back to what it had been with the MERS plan. The elected officials benefits is provided for in the Charter, page 22. For the general public's understanding, there should be some type of outline or summary.

ORDINANCE 68-C

PRESENTATION:

Mr. LaDuke said Ordinance 68-C sets the salary and benefits of the 5 Charter positions, plus City Council, the City Attorney and Board of Review. He provided each member with the old 68C and the current 68-28C.

COMMITTEE DISCUSSION:

Mr. LaDuke said in the last 2 pages of the packet he provided equates to where he thought 68C should go. Trying to be fair to the employees and taxpayers, this not only addresses the 5 administrative positions, but also the Mayor and Council benefits.

Mr. LaDuke read aloud his recommended modifications:

All new administrative employees hired after July 1st, shall contribute 10% of all wages to the MERS pension program as an employee contribution.

Vacation leave: 6 months to 4 years 1 day a month, maximum of 10 days.
Five years to 10 years, 15 working days.
Eleven years to 19 years, 20 working days.
Twenty one years and above, 25 working days.

Employees must take 10 days per year. Unused days after the 10 shall be paid out in January the following year at no reduced rate.

New administration hired after March 7, 2004 shall remain unchanged as written in Ordinance 68C.

Optical benefits – no change. Unused personal, sick and vacation days shall be paid out in January the following year. Holidays – no change.

Elected officials, Council and Mayor insurance group – no change.

Elected officials – health and care – hospitalization after July 1 until modified by Ordinance, those individuals shall receive $166.00 in 66 payments per month, or $2,000 per year.

Elected officials shall have a maximum of $2,000 per year contributed to health care.

Mr. LaDuke said there would be no health care given to the elected officials, with the exception of the Mayor, because that is a full time position.

Dental – no change.
Eliminate Council pension contributions and cap the Mayor's contribution at 20%.

Optical - no change.
Board of Review – increase pay to $150.00 per diem.

Salary of the Clerk, until modified by Ordinance, shall receive $59,697.45. Mr. LaDuke stated that reflects a 2 ½% wage adjustment for the year that no one received a raise in 68C.

Mr. LaDuke said the last raise they received was in 2005. This goes from 2005 to 2006, and a 3% raise July 1st. Salary of the Treasurer is the same, 2 ½% wage adjustment, 3% raise for July 1st. This also goes through for all of them.

Compensation for the Attorney, July 7th until modified by Ordinance, will go up to $120,000.

Mr. LaDuke indicated further, no changes to Group Life Insurance, Hospitalization, and Dental. Disability Insurance – administrators shall receive two thirds of administrators regular pay. That is a change from 100% pay for the first year.

Mrs. Tinnin asked what happens after one year.

Mr. LaDuke responded after one year, they go on a long-term disability of two thirds of their pay. Sick and Personal days until modified by Ordinance, unused sick and personal days will be compensated in January the following year, at 100%. Pension benefits – each employee shall contribute 5% of their wage contribution to the MERS pension program.

Mr. LaDuke said he believes it is important as a group, that if we ask other groups to take concessions and pay a part of their costs, it starts at the top. When you take a look at removing the pension for a City Councilperson, it is about a $3,000 cost to the Councilperson.

Mrs. Tinnin stated the percentage currently for Administrators for this coming July 1, 2007 is going to be 39.35% of wages. That is a very large percentage and if you are saying to cap the Mayor and eliminate the Council, basically the Council is getting that percent minus 5.

Mrs. Tinnin said to reduce benefits for health care down to $2,000 is a big reduction. We are setting a pattern, and I don't have a problem with this. I am a little concerned because the pension cost is going to go up. How far are we as elected officials going to allow this pension to increase, and continue to fund the majority of the cost of the pension. This is really eating away at every departments operation. We are also faced with contract renewals this year, and naturally everybody wants wage increases. This pension is going to continue to skyrocket.

Mr. LaDuke stated we as a group need to decide to take a look at the pension, and develop a pension plan. We had MERS in here a few months ago, and it was explained in very detail. We are not going to get out of the MERS pension program. There are ways we can combine, to do an actuarial and combine it and reduce the costs somewhat. As a Council we absorb some costs as the employee. You are right that we can't continue to go at this path. Groups get smaller, such as SEIU.

Mrs. Tinnin acknowledged that SEIU is at 79.95% of payroll.

Mr. LaDuke said he has never been a proponent of a part time employee getting full time benefits. I never felt that was fair, but that is the system. In 1991, when we got into MERS, no one could have predicted in 2007 that the MERS pension would be in the position it was. We sure were not told that by people that were the number one experts in MERS. It looked like it was too good to be true, and it came out to be too good to be true. But we have to get through that.

Mr. LaDuke stated further, the part he is asking Council to play in this role is we are going to save 33% from each person, so we are going to end up saving over $35,000 in the Council benefit. The Mayor asked us to look at it and I agree with him. I also think an elected official should not come into an elected office thinking they are going to retire. These people here are career employees and they should look to retire.

Mr. Major said he is totally satisfied with the package Mr. LaDuke put together. I think Council should reduce their benefits, it is a part time job.

Mrs. Tinnin asked for clarification on vacation days and payouts.
Mr. LaDuke said he reduced the days but gave them full pay outs. They had 30 days and now they are going to have 25.

Mr. LaDuke re-iterated as revenues decline we have to look to ways of saving money and if we don't do it as leaders, we can't ask those that follow us to do the same thing.
Mr. LaDuke asked if any of the administrators present wanted to address the Committee.

Mrs. Webster spoke and indicated she did an overall since 2002. They did not get a pay increase in 2003, 2005 and 2006. In 2004 they received an adjustment but most of them went behind because they lost all their payout on vacation days, lost half of sick and personal days and lost tenure. She feels this group has bared the brunt of wages freezes.

Mr. Major asked if the Mayor has a proposal.
No one has knowledge if the Mayor has a proposal.

Mrs. Tinnin said the administrators should take into consideration the pensions they will have when they retire. They have a very lucrative retirement system here. If they have to take wage concessions or very minute wage increases, you are very fortunate considering what everyone else is having to withstand with their pensions and health care nowadays.

Mrs. Tinnin stated further everywhere she goes, people out here in the City are angry. They have no trust in people that are the leaders of their City, of their country, of their State. They are angry at the prices of gasoline, the economy in general, they are just angry because their pensions are declining. I know everyone here works hard and I am very appreciative of what you do. I also think you have a real nice plan here when you retire and I think it is well worth taking some wage concessions versus having to pay a great deal out of your pocket.

Mr. LaDuke asked Mrs. Foster if these vacation days mirror the other union employees.

Mrs. Foster said it is on a 2 tiered schedule depending on when they hired in. They basically stayed the same for those hired prior to March of 2004. All the contracts have a reduced schedule for those hired after a certain date.

Mrs. Tinnin said she feels there should be a cap on every unit in the City for pension purposes.

Mr. LaDuke said AFSCME is capped at 15%, SEIU is capped at 12%. If any unit pays over 12%, SEIU automatically pays. If any unit catches up to us, we automatically go up to that group. Ours is capped at a 12% employee cost. SEIU is capped at a 15% city cost.

Mrs. Tinnin asked how SEIU is paying that cost.
Mr. LaDuke replied they took a roll back in wages. The City's contribution is capped at 15%.

Mrs. Tinnin said the City's contribution should be capped on all these different units. The taxpayers would know exactly what they are paying for the pension system. Nobody other than AFSCME can you really tell what is the City's contribution.

Mr. LaDuke said he thinks that is something in the future we need to go towards. He expressed that in 1991, the Council gave themselves a nice pension raise.

Mrs. Tinnin said she agrees that part time people should not have pensions.
Mr. Major and Mrs. Tinnin both expressed that the Council as a whole should review this recommended proposal.

Mrs. Heidenberger commented on costs being high and the SEIU had a membership of 11 and are now at 5.

Mr. Major said we really need to go to that one pension program across the Board to get the benefit of those young employees coming in so that everyone can receive that benefit.

In summary, Mr. LaDuke said this is a working document. It at least shows that we are going to take some hits too and not just ask the employees to keep taking them and taking them.

COMMITTEE RECOMMENDATIONS:

The concensus of the Committee is to have the Council as a Whole review these recommendations.

PRESENTATION:

Tap-in fees

Mr. Kray discussed a survey he did of 19 municipalities regarding their water and sewer rates and tap-in fees. The average water tap-in is about $1,800, and sewer is $2,700. Burton is $1,500 for each. We are still below the average. There were 6 communities with a lower water tap-in rate and 4 communities with a lower sewer tap-in rate.

Mr. Major asked which ones have a front foot fee hooked to the tap-in fee because that is a mandatory charge too. That would take our $1,500 to some number that could vary across the board.

Mr. Kray indicated he did not have that data included. That would push Burton in the upper middle.

Mr. LaDuke asked what the advantage would be of lowering our tap-in fees and would it stimulate growth in an economy that is not booming houses now.

Mr. Kray said there may be one or two out there that it could make the difference on. In a good or bad economy it may be the breaking point for someone. It is impossible to speculate how many people it will affect, but probably not too many.

Mr. Major stated do you consider reducing or put a moratorium on existing homes for water tap-ins hoping to attract customers that would pay just the front foot fee, and not the tap-in fee, and then we get the user rates out of them for life, in theory.

Mr. Kray said it could bring in some growth.

Mrs. Tinnin asked what is the idea for Lapeer Heights.

Mr. Kray said his department would definitely suffer but the City as a whole may benefit because you are getting customers.

Mrs. Tinnin said there are a lot of people in Lapeer Heights that are quite happy with their wells and do not want an extra bill.

Mr. Major stated on the other hand you may have younger people moving into those smaller homes that may be use to a better quality of water and don't have to put up with the maintenance on water softeners.

Regarding the survey, Mr. LaDuke said there are 3 below us in sewer and we are 13^{th} in water. So we are truly below the average and to reduce it at all, would put us further down the ladder.

Mrs. Tinnin stated we are not justified to reduce it now for tap-ins because most people will assume it is new builds and with all the existing water users out here, you have just raised their rates another 23%. It would look extremely poor on our decision making part right now.

Mr. Major asked if they know that these tap-ins don't include front foot fees when we got the data from the other municipalities.

Mr. Kray said they do not have that amount of detail.

Mr. LaDuke said he called Davison, Grand Blanc Township, Genesee and Flint Township. Theirs do not include front foot fees.

Mrs. Tinnin said if we had a lot of developers right now knocking at our door, we might look at a graduated schedule like they have in Otisville. She does not see a need to do that at this time.

COMMITTEE RECOMMENDATIONS:

Mr. LaDuke said it is a concensus of the Committee that we report to the full Council that there be no changes to our tap-in fees at this time.

Meeting adjourned at 4:55 p.m.

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