CITY OF BURTON
FINANCE SUB-COMMITTEE MEETING MINUTES
AUGUST 28, 2007, 4:15 P.M., COUNCIL CHAMBERS
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The Meeting was called to order by Chairman Ralph LaDuke at 4:20 p.m.

MEMBERS PRESENT: LaDuke and Tinnin.
MEMBERS ABSENT: Major.
OTHERS PRESENT: Mayor C. Smiley, Atty. R. Austin, and J. Adams, Deputy City Clerk.

PURPOSE OF THE MEETING: Discussion and possible recommendations concerning the following:

1. **68-C**
2. **County collecting personal property taxes**
3. **Line item budget**
4. **Any other business**

Mr. LaDuke acknowledged the presence of County Commissioner Jamie Curtis and County Treasurer Dale Kildee.

County collecting personal property taxes.

PRESENTATION:

Mr. Curtis stated there were a few press releases that explained the County collecting delinquent personal property taxes. They are trying to make it a dueable plan and provide services with less money.

Mr. Kildee said this would be an option to local government but he would need to have a sufficient volume in order to justify putting the system in place. As an option, delinquent personal property taxes could be turned over to the County Treasurer for collection along with the real property taxes. A fee would not be charged, they would simply collect and the delinquent interest payments would go towards the cost of collection. As we collect the personal property tax, it will be paid back to the taxing jurisdiction on a regular schedule. The County will offer this March 1, 2008.

Mr. LaDuke questioned the flexibility of withdrawing from the program, and enforcement of collecting delinquent personal property taxes. He stated there is approximately $500,000 in uncollected personal property taxes in Burton. Iris Piske, Treasurer, has done a great job but with limited staff it is difficult to focus on just delinquent taxes. Mr. LaDuke indicated further he likes the idea of a cooperative effort between the local and county governments.

Mr. Kildee said in speaking with other counties, the most important element of this program is consistency and equity of treatment. Every taxpayer can rely on a predictable enforcement system that is going to affect each business the very same way.

Mrs. Tinnin asked if they have developed a system to implement depending on who is getting on board.

Mr. Kildee replied they are in the stages of doing that and getting a sense of how many of the local governments would have an interest. We would build the program around that. They are working on initially integrating the personal property tax collection program into the existing personal property tax audit system of the County Equalization Department. This is another advantage of doing it at the County level.

Mr. Kildee spoke further on the collection process, enforcement, legal actions, and evaluating the effectiveness of the program.

Mr. LaDuke said he plans on meeting with Mrs. Piske and the Mayor to discuss this program further. He inquired as to a revolving fund with personal property.

Mr. Kildee replied that after a year or two of experience, they could consider creating a delinquent tax revolving fund for personal property taxes. Unlike the real property taxes, they would likely fund it to somewhat of a discount initially on the belief we won't have 100% collection. With real estate taxes, we can virtually be assured of 100% collection. If we foreclose the property, we can sell it for at least the amount of taxes and recover that amount. With personal property taxes, that option is not available to us. If we can't locate assets owned by the taxpayer and acquire those assets and liquidate them, we may not be able to make 100%. The most significant effect of delinquent tax revolving fund on government is to give you a predictable source of revenue. Michigan is the only State that has delinquent tax anticipation notes and a delinquent tax revolving fund.

Mr. Austin asked if the County would take over on jeopardy tax assessments.

Mr. Kildee said they would assume that responsibility. Those taxes generally apply to delinquent taxes. Any community involved in this agreement, the tax would come over to us on March 1st of the year following the tax year. We would then take responsibility for all collection procedures for that tax year thereafter.

Mr. Austin questioned if the City would adopt an ordinance or an executive action.

Mr. Kildee said the law requires an intergovernmental agreement, which presumes that the ordinance of the municipality would govern the authority of that unit to enter into such an agreement.

Mr. Austin said there would be an intergovernmental agreement, which then under the City's Charter gets the legislative branch of government involved.

Mr. Kildee stated it would require the County Board of Commissioners approval. This would be an agreement between the two governments, and presumably the County government and a number of city and township governments. Individual agreements between the County and each of those governments would have to be enacted.

Mr. Austin asked if Mr. Chapman's office is currently working on drafting a form agreement that would be used.

Mr. Kildee said initially they worked on a preliminary statement of interest. He believes John Mandelaris from the County Corporation Counsel Office has begun to put together an outline of what an intergovernmental outline would look like.

Mrs. Tinnin inquired if this will require legislative and executive approval.

Mr. Austin said under the City's Charter, Council would have to approve it. The fact that tax collection is an executive function primarily, I think you would want the executive branch of government to authorize moving forward with something like this.

AUDIENCE PARTICIPATION:

John Stapish, PO Box 190134, Burton, inquired as to what merchandise is considered personal property.

Mayor Smiley asked Mr. Kildee how many municipal governments they have on board now.

Mr. Kildee responded he does not know the exact number, but virtually every municipality we spoke to at the County Treasurer's Meetings said they are going to sign on.

Mayor Smiley said the City's Treasurer Mrs. Piske is very excited about this and he thinks it makes sense for the County to do it. The Mayor inquired as to the County-wide outstanding amount of personal property tax collection.

Mr. Kildee replied there was a report recently and the amount is several million dollars.

Mayor Smiley said Council would need to write something up because there are issues with the Land Bank still needing to be worked out.

Mr. Kildee stated those are joint concerns. The City has not really been part of the Land Bank operation.

Mayor Smiley said he wants to make sure everything is above board and he thinks there is a service the County can provide. Currently with the 2005 collection, $14,000 is outstanding. The outstanding total is $100,000 but it goes to all the authorities. He assumes the County will pay the different authorities.

Mr. Kildee said it is up to the inter local agreement as to whether you want to make the distribution. Since we make annual distributions of delinquent proceeds, it would make sense for us to simply make those distributions.

Mayor Smiley inquired as to how far back the County would go to collect the delinquent personal taxes.

Mr. Kildee replied that would be up to each municipality to determine whether you want to turn over the entire delinquency file on March 1st of 2008, or only the 2007 delinquent file. We will do it whatever way you would like.

Mayor Smiley expressed it would be all of it. He would like to get Mr. Austin involved with the County and make it happen. Since 2001, almost 17 million dollars has been collected in personal property taxes. We collected all but about 1/2 million of that.

Mr. LaDuke requested the Mayor to provide a copy of the numbers read. He asked Mr. Curtis to provide a copy of the Flint agreement to the Mayor and City Council. Mr. LaDuke thanked Mr. Curtis and Mr. Kildee for attending the meeting and providing their input.

COMMITTEE RECOMMENDATIONS:
Mrs. Tinnin recommends to Council to allow the County, City Attorney and Administration to work on the agreement to present to both bodies of government, to get on board together and move it forward.

Ordinance 68-C

PRESENTATION:

Mr. LaDuke stated 68-C was directed by Council at their last Council Meeting to come back to Finance. The question asked was can we under 68-C eliminate benefits for current Council members when these individuals are in their current term of office. In the Attorney's opinion, we cannot. This would not directly affect the terms of Danny Wells, Tina Conley and Laurie Tinnin who are grandfathered in until 2009. For new council persons, and if the two current council people are elected and put back in office, they would be affected November or December 1st as stated in the ordinance. They would no longer receive health care benefits nor in lieu of health care or a pension.

AUDIENCE PARTICIPATION:

Jamie Curtis, Genesee County Commissioner, stated when he was on the Burton City Council he proposed the same legislation and felt it was important for the city as a whole. He applauds Council's efforts. He is trying to do the same thing at the County because the economy is so bad. He expressed anyone on Council that needs insurance should be given an opportunity to purchase the insurance out of pocket from the City.

Pauline Dargel, 6119 Hugh St., referenced Sections 1 through 5 in the ordinance and stated she is unclear as to the annual compensation of Charter members. It is clear as to the Attorney and Board of Review being on a per diem. She asked if the dollar amount equals the adjustment and if the 3% raise is incorporated as well.

Mr. LaDuke responded that it already equals the adjustment. The 3% is a one lump sum payment. Of the last Ordinance 68-C in 2005, you take 3% of that. The only thing that will show up next year is the current salary.

Mrs. Dargel asked if this is a bonus.
Mr. LaDuke responded no one is getting a bonus, it is a yearly raise they never got. It doesn't roll in so it is not accumulative over years and years.

Mrs. Tinnin said it is unusual to regress when you talk about benefits and pay. According to our Attorney, we can make the ordinance effective with new people that come into office.

Mr. LaDuke inquired regarding adding a section to allow a Councilperson to purchase health care at 100% their cost in the plan.

Mr. Austin said it would not be hard to amend the ordinance. We would have to first check with the insurance company to see if they would include them in the group, but he does not think it would be a problem. He is personally buying the health care and is grateful to have that available.

Discussion ensued concerning attorney wages. Mrs. Tinnin asked if increases have been in increments of $10.00 an hour and also how was it handled in the past. Mr. Austin indicated it was $5 and $10 dollars an hour periodically.

Mr. LaDuke expressed he looked at the way we pay Mr. Spender as our Labor Attorney and Mr. DuBay when his company represented the City in labor issues. He hopes 68-C will be looked at in a timely fashion year after year.

Mrs. Tinnin inquired concerning Mr. Austin's wages at Monitor Township and their population. Mr. Austin replied it is $105 per hour and is about to go to $115 an hour. Their population is about 10,000. Monitor Township does not have a police department and they contract for sheriff patrol services.

Mrs. Tinnin questioned Section 7, paragraph F.
Mr. LaDuke said new administrators need to know upfront that they are going to pay more than 3% than the current administrators. The current administrators are grandfathered at 3%.

Mrs. Tinnin stated the wording should be changed to read for all new administrative employees hired after July 1, 2007, the employee should contribute 10%.

Mr. Austin stated he will delete the 3rd paragraph under F and change the word employer to employee.

Mrs. Tinnin inquired concerning changing this over for the new City Council members on health care and pension.

Mr. LaDuke in response referenced Section 8, D paragraph 5.

Line Item Budget

PRESENTATION:

Mr. LaDuke said Council adopted a line item budget to take care of situations that arose over the last couple of years. Not aware of all the ramifications that a line item budget has, and this being a working document, we see that it does cause additional work. He disagrees with the amount of work it causes because he spoke with a couple of controllers who said once it is in the computers, modern technology allows things to happen fairly easily.

Mr. LaDuke said he made a proposal to eliminate the need for a line item budget, with the understanding that our current City Charter would address the intent of the City Council by the section that says the Mayor shall adhere to the intent of the City Council as it comes to a budget. If we don't fund a position, that position should not be filled. If the City Attorney concurs with my interpretation, I feel a line item budget can be eliminated.

AUDIENCE PARTICIPATION:

John Stapish, PO Box 190134, commented on eliminated positions, increase in salaries, and the line item budget staying in place.

Pauline Dargel, 6119 Hugh St., stated she concurs with the assessment of the current building department. The code enforcement officer was gone for a year and the assignment was well fulfilled by a contract employee on a part time basis.

BOARD DISCUSSION:

Mr. LaDuke asked Mr. Austin if his interpretation of the City Charter allows Council the flexibility to accomplish what we would like to see, and still give the Mayor flexibility to deal with his budget without being hamstrung with a line item budget. At this point, the intentions of the City Council are still not being met.

Mr. Austin said that section became a very important part of his written opinion regarding the Controller's salary. He did a considerable amount of research of the Charter and also the Uniformed Budget and Accounting Act which is State statute. He recently reviewed it and stands by every word of it. The Council's intent is certainly a legitimate consideration both in terms of the Charter provision and the Uniform Budget & Accounting Act.

Mr. Austin stated further, since that opinion Council asked me to write 2 more opinions regarding the positions of Ms. Moss and Mr. Zirnhelt. He had conversations with Mrs. Foster and the Mayor, and asked Mrs. Foster to provide a written report as to the actual facts. These very important opinions you have asked me to write will govern how this Council conducts business for years to come. It is critical that the facts are right. Mrs. Foster has been extremely busy and has the auditors coming in now. Until I have the facts, I would be remiss in my responsibility to the Council, Mayor and residents to just blurt out an answer. He wants to be just as confident in the two opinions he still has to write.

Mr. LaDuke said he is trying to work towards a resolution of this problem from a Council side and an administrative side. I am at a point now of using subpoena power afforded the Council in the Charter to compel that this gets done in a more timely fashion. He asks the Mayor if he could direct his employee within the next couple of days to get this draft done so we can move on.

Mayor Smiley said he would answer any questions they may have.
Mr. LaDuke said he does not know what Mr. Austin needs because he was not part of the conversations.

Mayor Smiley said Mrs. Foster is extremely busy with the audit and is trying to comply with everything. Mayor Smiley asked if this is over Mr. Zirnhelt.

Mr. LaDuke said the problem is he has an employee that they did not fund and is still being funded.

Mayor Smiley felt this is untrue.
Mr. Austin said this is exactly why he needs a written report. The Mayor honestly feels that is not true and the Council feels it is honestly true.

Mayor Smiley said he also has a written report and hired an attorney to give him an opinion on the State Budget Act. The fact of the matter is Council has a line item budget and do they want to continue that process. The issue is not who is doing code and who isn't.

Mr. LaDuke responded it is putting people in positions that we do not authorize.

Mayor Smiley interjected that he does not think they have the authority for that and you have to have a separation of power. That is what needs to be ironed out and not the line item budget.

Mrs. Tinnin said she thinks the Mayor is right and the personalities have to stay out of this. If Council is directing that we have so much money in each departmental budget, it is up to that Mayor to allocate what positions he wants to fill with that amount of money. She does feel the Mayor is wrong to go on record saying Council is responsible for eliminating code enforcement. Mr. Zirnhelt was away from the City for a year on sick leave, a contract employee was brought in and we still had code enforcement. Council's intent was to reduce the building department budget by $160,000 to put us back in line where we should have been when we ended that fiscal year.

Mayor Smiley responded by saying he already reduced it and Council did not do anything.

Discussion ensued regarding $55,000 being paid for a mechanic's helper.
Mr. LaDuke said if the Mayor is not willing to work with us he is ready to explore other options.

Mayor Smiley stated he has the exact amount of employees he was budgeted for. You cannot pick and choose what employees are there. I am complying with the budget that this Council adopted.

Discussion continued regarding the code enforcement position, utilizing the building inspectors, and Police Department overtime as it relates to the line item budget

RECOMMENDATIONS:

Mrs. Tinnin suggested putting the line item budget on hold until they get a report from the Controller and also the possibility of having her meet with the Finance Committee.

Meeting adjourned at 6:00 p.m.

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