CITY OF BURTON

BURTON CITY COUNCIL MEETING

JUNE 5, 2018

MINUTES

Council Chambers	Budget Workshop	6:30 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Steven Heffner at 6:30 PM.

A. CALL TO ORDER

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Duane Haskins	Vice President	Excused	
Dennis O'Keefe	Councilman	Excused	
Steven Heffner	President	Present	
Danny Wells	Councilman	Excused	
Vaughn Smith	Councilman	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

Rik Hayman, Chief of Staff
Bette Bigsby, Acting City Clerk
Robert Slattery, DPW Director
Dave Marshke, Water Superintendent
Karen Moffitt, Controller

C. PRESENTATION & DISCUSSION

1. Water

Ms. Moffitt stated the grant for next year is for a half a million dollars. In total, the principle forgiveness is $800,000. I estimated $300,000 in the current year and $500,000 next year. The City tap-in fees are increased to $100,000. We are estimating new builds. The front foot fee revenue amount was lowered by $2,000. We have amended the 2017-2018 budget at $5.5 million and with the rate increase that was passed, we will recognize more revenue in 2018-2019 making this $5.7 million. Inspection approval fees were increased $500,000 because we are projecting more new builds. Service charges are reduced to $55,000. Tap-in interest is lowered from $1,300 to $800. The Community Development Block Grant of $207,932 was collected this year in revenue. We will not be receiving this next year. The fire hydrant meter deposit revenue was lowered from $5,000 to $4,000. The new revenue is $6,619, 500. We need to increase the supervision salaries from $56,200 to $60,000 because of the wage increases in the SEIU contract. Salaries permanent was lowered to $320,000 based on the prior year. Shared salaries is up a little bit. MERS retiree's was reduced based on the new rates. Fringe benefit account is up from what we spent last year and down from what we are budgeting for this year. Office supplies were lowered to $1,500. Information Technology allocation was increased to cover our cost in that department. Operating expenditures increased to $28,000. Repair and Maintenance is $45,000. Pipe and fitting was lowered to $89,000. Charges for water, I projected $3.7 million and added in 8 months of the additional $4,800 for the ready to serve fees that the county passed through to us. This brought the budget to $3,738,000. Contractual Services was lowered to $150,000. Contractual Water testing was increased from $9,000 to $15,000 due to additional KWA line testing that is needed. Dues and memberships decreased to $1,100. Pension expense was increased to $200,000. This represents the new accounting standard where we are required to accrue the unfunded liability. Insurance was increased to $23,000 because of the increased infrastructure that we have to insure with the Dwarf projects. Miscellaneous was decreased to $1,000. As part of the audit, we had to write off bad debt expense last year so I projected $6,000 just in case we had to do that again this year. We decreased fire hydrant/meter refunds from $5,000 to $3,000 based on what we had spent last year. Depreciation expense was increased almost $90,000 because of what we are estimating with the new Dwarf projects. We are capitalizing those as assets in our books, then depreciating those costs over their useful life of 75 years. Storz, hydrants, couplings were decreased from $20,000 to $10,000. Community Development Block Grant we are not receiving that grant next year so we took the revenue out and taking the expense down to zero. The interest payments on the DWRF debt has been adjusted to reflect what the interest will be based on the schedule or an estimate for some of the newer projects that are not quite finalized. The revised figure for the water expenses is $6,646,650. This shows we are overspending by $27,150.

Mr. Smith asked when the administration expects to have that water rate study.

Mr. Hayman said I do not have an exact date on that, they are still working on it. I hope that it will be fairly soon.

Ms. Moffitt said with the amendments we made to this year, we would start with a fund balance of $14,352,086. The fund balance figure is not cash. If you look at the audit report from last year we have a negative fund balance that is unrestricted of $1 million. The fund balance and the enterprise funds consist of the net value of your assets less your accumulated appreciation. Therefore, we do have a negative operating fund balance.

Mr. Smith said even with the $3 million dollars in forgiveness, we are still $1 million in the hole.

Mr. Hayman said once they finish up with the rate study, we could have a meeting to discuss this.

Mr. Martinbianco asked under supervision and salaries permanent, how many people do we have working back there right now.

Ms. Moffitt said there are two supervisors that are split between water and sewer. I don't have the salaries permanent count with me tonight. The staff are charged between water and sewer. It is based on their time sheet as far as how much time they worked in water and sewer.

Mr. Martinbianco asked in instances where we have lost water, such as the time when the fire hydrant was run over and we lost all that water, do we get any money back through insurance or Michigan uninsured motorist fund?

Mr. Marshke said we sent the insurance company an invoice for over $30,000. I do not know if it was paid.

Ms. Moffitt said if this is paid it would go under the reimbursement income line item in the respective budget.

2. Sewer

Ms. Moffitt said we just finished up collecting money for the Saw Grant revenue (State) so we will not be receiving this next year. That budget has been reduced to zero. Tap in fees increased to $100,000 for new builds. Usage fees are budgeted for $5.8 million, leaving the revenue and expense at the same amount as the current year. There have been no rate increases. Penalties line item increased to $150,000. Interest income increased to $70.000. Interest due from major streets and Amy Street reflect the interest we are collecting on the loans to those funds for those projects. This has been adjusted to the interest on the amortization schedule. Tap in Interest was budgeted for $400. This should be zero, because we did not record any revenue on this line item. Reimbursement income we lowered to $1,000. This amount is different each year based on the insurance claims and worker's comp, etc. Investment gains and loss are hard to budget for. It is the market fluctuations on the investments. With the adjustment on the usage fee revenue, the revenue figure should be $6,156,100, instead of $7 Million. Looking at the expenses, the administrative salaries were adjusted to represent the 30% of the Director and Assistant Director in the sewer fund. We need to increase the supervisor's salaries line item, we need to increase to $60,000. MERS active was increased to $22,000. MERS retiree's line item is $109,700. IT allocation increased to $69,100. Operating expenditures increased to $27,000 from $25,000. Pipe and fittings line item was lowered from $10,000 to $7,000. Contractual services were increased to $350,000 from $300,000 due to additional sewer line inspections that we need to do this year. Bill printing/return envelopes line item was reduced to by $500 to $4,500, based on what we had spent in the prior year. Pension expense was increased to $365,000 from $100,000 based on the prior year. This is the GASB entry for the unfunded liability. Pump station expense. Repair & maintenance line item is reduced was lowered from $200,000 to $100,000 and moved that up to help with the contractual services line because they felt we didn't need that much this year in repairs and maintenance. Miscellaneous expense was lowered to $1,000 from $2,500. Saw Grant Expenses is zero because of the elimination of the grant. Interest on SRF financing was adjusted to the amortization schedule. This brings the expense to $6,238,300. We will be over spending $82,200 but we are putting additional money into the sewer line inspections this year. Had we not done that we would have a balanced budget for sewer. Money was spent on clearing access to some of the easements, which they were not anticipating. These funds need to be directed to the sewer inspections now and increase it by $50,000.

3. Building Department

Ms. Moffitt stated we have added a revenue and expenditure account for the Medical Marijuana licenses and late fees. The licenses fee is $5,000 initially and the renewal is $4,000 each year. We have collected $65,000 already this year. The interest income has changed. Because our fund balance is going down, in this fund and we are transferring more in the general fund to cover our costs. The transfer from general fund was increased from $94,000 to $200,000. The administration salaries were reduced slightly and shared salaries increase slightly. The MERS active and retiree accounts were lowered due to the MERS rates going down for the AFSCME unit. Fringe benefits were increased up to $91,300 and the budget is overspent. There will have to be a budget amendment brought to council.

Mr. Hayman said I believe this was increased due to adding the position of Code Enforcer. Mr. Worthing was also Building Inspector and Code Enforcer. He is not longer working for us and the position is posted. We hire out for building inspections right now.

4. Related Capitol improvements (Water/Sewer)

Dave Marshke, Water & Sewer Superintendent stated we need to purchase a vactor this year. I have a quote of $405,000 and one from Dohenys, who came down to $392,000 from $400,000, with the trade in. They will guarantee $25,000 for a trade. Another option would be to sell it outright. Our vactor is being patched as we speak but it's at the point where it's nickle and diming us now.

Mr. Smith asked where would we find the money to buy this.

Ms. Moffitt said from the Motorpool Fund. We purchase all the vehicles with the exception of the Police and Fire and charge out their usage as equipment rentals. Anytime an employee uses that vehicle, they note it on their time sheet and we charge them for that usage.

Mr. Marshke said we have a contingency plan that we have to file with FEMA. This vactor truck is an emergency piece of equipment under our emergency response plan to assist other cities with flooding, sewer backup, chemical spills, etc. The next item is the water tower rehabilitation. Our water tower was constructed in 1998. We did an exterior rehab on it in 2014. There will be an inspection next week on the interior bowl, where the water is held. This is required by DEQ. I am expecting that it will need rehabilitation. The coating is the original coating and at the last inspection, they said it was pretty much to its end.

Ms. Moffitt said this would have to come out of the Water Fund.

Mr. Smith said the Water Fund is already in a deficit.

Mr. Marshke said the asset management plan that Stantec has drafted will spell out the 5, 10 and 20 year needs for the water department. As part of the State mandate under the asset management plan, required by DEQ and we submit the first of the year, this will be a requirement to project your 5-year capital improvements into your rates. I am requesting $75,000 to update the controls for the remaining four lift stations that were not upgraded through the SAW Grant. The controls need to be upgraded to match the existing system that we are using now, which is the KISM system. It's our supervisory control and data acquisition system. This is a computerized system that gives us alarms for high wet wells, flood alarm, etc.

Mr. Martinbianco asked how often the vactor truck was used and what kind of warrantee would it have. If the expected life is 7 years, how are the user hours tracked?

Mr. Hayman said at the last meeting Mr. Abbey said it is being used every day, depending on if they have a full crew.

Mr. Marshke said I think this unit would have a GPS on it, which would track that time. Different parts have different warranties, I will check on that. Our old truck is 15 years old and has a lot of hours, not a lot of miles.

Mr. Hayman said we could include this information in with the packet that we bring to council.

Mr. Hayman said we are exploring more options to present to Council. Mr. Abbey has been working on this and on the purchase of a new tank.

5. Governmental Building Needs (Roofs, parking lots, etc)

Ms. Moffitt said office supplies were increased from $1000 to $1200 based on expenditures this year and what we had spent in the previous year. Information technology allocation was increased to $12,700. Postage was increased from $400 to $800. There is more postage used relating to the demo's and cleanups. Operating expenditures were increased by $500. Medical Marijuana expenditures, we have $30,000 budgeted for anytime staff spends time related to this and for any legal costs. Contractual services were decreased by $1,500. Training was increased by $1,000 due to additional training next year relating to the Medical Marijuana laws. The legal would also be charged in the $30,000 line so that we can track these costs. Utilities were increased by $200. Condemned housing line item was increased but we have taken the money from the blight elimination grant expenditure line item. Soil errosion services and office equipment decreased slightly. Our auditors noted in their letter at the end of last year that if this fund wasn't considered self supporting, we may need to transfer the building department items back to the general fund.

Mr. Martinbianco asked if the match with the blight elimination grant and the expenditure there ever show as an income on our side?

Ms. Moffitt said I will ask the auditors about that. We may need to record that revenue and expenditure even though it would be a wash. In addition, we have done the demolitions and will be entering purchase orders for those costs; however, they have until next fiscal year to finish those. If by chance they are not all finished by June 30, 2019 and have money remaining in the budget, we may need to amend next year's budget to cover those costs. In reviewing the governmental building needs, there has been a request to resurface the DPW parking lot. They are estimating that at $50,000.

Mr. Slattery said they are talking about the public part of the parking lot. The front side that faces Manor Drive can wait. We keep this patched. We are looking at not even doing a mill and fill there now, but just a fill overlay of what is there and where it is needed. The lot has crumbled to such a state now that we could use this as a crushed base in much of the area. We need just a maintenance fix for now. The drainage will deteriorate if we do not keep the surface at least intact. We need to cut and replace sections of curb that are becoming trip hazards and drainage work needs to be done right in the middle of the lot.

Mr. Heffner said I inspected the Senior Citizen's parking lot and it needs some repair also.

Mr. Smith said the seniors have a fund balance of $78,000, why can't you take it out of that.

Mr. Heffner said regarding the City Hall roof, didn't we go out for bid on this a few months ago and transfer money to do this project?

Mr. Hayman stated Mr. Abbey will need to answer this and he is not here tonight.

Ms. Moffitt said as far as the boiler, it's getting old and it is hard to get parts. We may save some money with a newer model. At the Police Department, there are currently two boiler's that could be replaced with one.

Mr. Smith asked where this money would come from.

Mr. Heffner said the Police Department's boilers could be funded by the Police Department.

Ms. Moffitt said I think it would come out of General Fund.

Mr. Smith said we can't keep pulling out of the General Fund, at least not for the next couple of years. I am looking at the transfers out of General Fund. For Senior Citizens we have roughly an $8,000 balance. We transferred in $190,000 from General Fund, so there's one of them. General Fund's already supplementing, just indirectly. We have reduced the Police Fund. We still have a $200,000 deficit.

Meeting was adjourned at 8:23 PM.

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