CITY OF BURTON

BURTON CITY COUNCIL MEETING

APRIL 23, 2015

MINUTES

Council Chambers	**Committee of the Whole**	**6:30 PM**

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Tom Martinbianco at 6:34 PM.

A. CALL TO ORDER

Attendee Name	Title	Status	Arrived
Tom Martinbianco	President	Present	
Duane Haskins	Vice-President	Present	
Dennis O'Keefe	Councilman	Present	
Steven Heffner	Councilman	Present	
Ellen Ellenburg	Councilwoman	Present	
Vaughn Smith	Councilman	Present	
Steven Hatfield	Councilman	Present	

B. STAFF PRESENT

Paula Zelenko, Mayor
Greg Kray, Deputy DPW Director/Engineer
Sue Warren, Human Resources
Teresa Karsney, Clerk
Bob Slattery, DPW Director
Rik Hayman, Chief of Staff
Doug Bingaman, Treasurer
Ginger Burke-Miller, Controller

C. AUDIENCE PARTICIPATION

None

D. COUNCIL DISCUSSION

1. Discussion on Funding Mechanism.
   Mr. Deeter stated the question came up about what happens when we borrow money from one fund and spend it on another fund. It is different than a bank. When you do that, it is an external revenue source coming into the city. The funds that issues the loan will recognize the revenue coming in and you can spend it on the project. This has minimal impact on the bottom line number when you're done with the project. For example: the general fund making a loan to major streets. It can be done however when you do this it isn't revenue to major streets. It is considered a liability of major streets. It comes in as cash and a liability in the balance sheet. When you spend that money and there's no revenue, the fund goes into a deficit.

   Mr. Haskins asked what liability means in this circumstance.

   Mr. Deeter stated when you owe another fund money, you have expenses and no off-setting revenue. It creates a deficit and you are required to file a plan with the state on how you intend to eliminate the deficit. Sometimes it makes economical sense to borrow from yourself because you pay yourself the interest instead of paying it externally. The downside is if the fund doesn't have enough other resources in it, it puts it in the hole. This can create future budgeting concerns. When you borrow from a bank, it's new money coming into the city.

Mrs. Ellenburg asked what accounting rules have changed from the past because we used to be able to borrow money between funds without changing our accounting form.

Mr. Deeter stated he is unaware of any current changes and this was probably a determination from previous auditors. He said it could have been that when you have done that in the past and there was no deficit, the fund, at that time could've had enough resources in it to absorb that amount. He said it could also be that you paid it off before the end of the fiscal year.

Mr. Martinbianco stated Mr. Bendzinski has been a long time financial advisor for the City and asked for his input regarding investments in infrastructure improvements: roads, water, and sewer.

Mr. Bendzinski stated borrowing money, having a deficit, and filing reports with the state is not a bad thing. You will have grants from Federal and State to repay these loans from other funds. It to the state is not a problem and it would not hurt your rating from a financial standpoint. You can do it, it just entails some extra budget requirements. If you don't want to do this, there are a couple options to borrow. You can borrow for 50% of the grant as a Grant Anticipation Loan. Mr. Bendzinski does not recommend this. He said it doesn't really solve the problem because the State only allows you to borrow 50%, where is the other 50% coming from? The other option is to bond through a General Obligation Limited Tax Bond. Mr. Bendzinski does not recommend bonding with the MTF (Michigan Transportation Fund) bond. It is too complicated. He said The best thing to do is borrow through a Limited Tax General Obligation Capital Improvement Bond.

Mr. Martinbianco asked if the proposal passes in May, will we get money from the state.

Mr. Bendzinski said he didn't think that would happen.

Mr. O'Keefe stated we have major streets with no plan at all. This is a long term need which requires a long term loan. He said I am interested in a big project, not the stuff on the books right now. Nobody knows what will happen on May 5th, if we did get money from Proposal 1 being approved, we could use it for debt service.

Mayor Zelenko stated $1.6 million is projected if Proposal 1 passes. It would be an annual amount beginning in 2018. Depending on the Legislature, we are not sure if we will be able to use it for debt service or if it has to be for special projects.

Mr. Bendzinski stated you can vote a bond issue and levy a tax to pay for roads over and above. How you pay for it is another question but you have that option as a City to hold an election and vote bond issues for street improvements. Many municipalities have done this recently. Bond issues are getting approved for road purposes. Taxable values have declined for several years and they are not moving up at a rapid pace, voting a bond issue is your best option. It provides the ability to improve the roads and a revenue source to pay the debt.

Mr. Martinbianco stated Mr. Deeter and Mr. Bendzinski will work together and provide some options.

Mrs. Ellenburg stated Mr. Slattery has worked with MML and been with transportation for quite a while. She asked if Mr. Slattery had any updates on what is coming through legislation.

Mr. Slattery stated if this money could be used for debt service last year, his understanding is we should be able to use it in the same manner going forward.

Mr. Heffner asked other than Center Road and Belsay Road, what else is slated that has been approved.

Mr Slattery stated we need a long term plan for the roads and if you have not had it in the past, you certainly will in the near future.

Major Zelenko said the challenge we have in the near future is Center Road. One of the pitfalls of the advance construction was borrowing money from ourselves. That's why in the proposed budget it is stated we need to look at a short term loan.

Mr. Smith stated the forecast was $500,000 for roads. Rather than use it as match money, use it to service the debt, how much money would that generate with bonds.

Mr. Bendzinski stated the City could borrow $5.5 million for 15 years, at 4%.

Mr. Smith stated this would buy us some time and maybe down the road there would be other options. This is leveraging money smartly.

Mrs. Ellenburg asked what would the $5 million do?

Mr. Slattery stated you can't rebuild a lot of roads for that money. You can preserve a lot of roads for $5 million. No road lasts forever, eventually you will have to rebuild the roads but that is part of the long term plan.

Mr. Martinbianco said in addition to the roads, we are working on paying back the water and sewer funds. The big thing is how we are going to move forward regarding funding, given our existing level of funding, and depending on what is going to happen May 5th.

Meeting was adjourned at 7:39 PM.

Burton City Council
4303 S. Center Road
Burton, MI 48519

SCHEDULED

Meeting: 04/23/15 06:30 PM
Department: Clerk's Office
Category: Discussion
Prepared By: Teresa M. Karsney
Department Head: Teresa M. Karsney

AGENDA ITEM (ID # 1501)

DOC ID: 1501

Discussion on Funding Mechanism.