

**SOUTH LYON CITY COUNCIL
SPECIAL MEETING
BUDGET WORKSHOP
MAY 17, 2017**

Mayor Galeas called the meeting to order at 6:31 p.m.
Mayor Galeas led those present in the Pledge of Allegiance

ROLL CALL: Mayor Galeas, Councilmembers; Kivell, Parisien, Rzyzi, Wedell, Kramer and Kurtzweil
ALSO PRESENT: City Manager Ladner, Chief Collins, Chief Kennedy, Department Head Martin, Deputy Clerk/Cashier Pieper

PUBLIC COMMENT – None

BUDGET WORKSHOP

ADMINISTRATION

Councilmember Wedell stated that after the last budget workshop, he was troubled by the fact that we had approved a contractual 3% for police and we talked about a 2% for fire-fighters who are volunteers and do not receive any benefits. The difference from a 2% to a 3% for the volunteer fire-fighters and the difference is \$2,384.00. Wedell suggests that we change the 2% to a 3%. Councilmember Rzyzi states that he is not opposed to the increase if the Department Heads are to eliminate their raises. Wedell states that these are two separate issues, and his issue was that the Fire Department needs to be brought up to the Police Department. City Manager Ladner stated that the Department Head raises will not even be voted on until June or July. Councilmember Parisien states that she thinks that this is a good idea, as well as Mayor Galeas.

Wedell questions if they will need to take a vote on this.

Councilmember Kurtzweil questions if any more cuts were able to be made in the amount of \$2,384.00 to balance that out. Councilmember Wedell stated that was not his mission. Councilmember Rzyzi states if we are going to be talking about raises, why are we not talking about them across the board? Councilmember Kramer asks if we can have a breakdown of the actual 3% increase for all departments and department heads. Department Head Martin states that the maximum amount based on his salary was \$20,100.00. In response to Councilmember Kurtzweil's comment that the city has a financial problem, Councilmember Kivell states you can't make that kind of case and then give away \$35,000.00 to private owners of buildings to do a façade job. Councilmember Wedell again states, that he was only bringing up the Fire Department.

Councilmember Kramer states, hypothetically, if Department Head Martin was to leave, you would have to hire two people to replace him, the question he has for council is we are arguing about a \$2,600 raise, for one department that is handling two jobs. Do you want to lose that person for \$2,600? When you start pushing this as hard as it is being pushed it's no longer about the money, it becomes about being an employee in the city and not getting the respect of this council and if you start forcing people that are employees in this city to leave, you have to be able to understand the consequences of what might happen. We have to show some respect to our employees and by doing what we are doing, by attacking them directly, it doesn't become about the money, it becomes about do I want to continue working here

and if we force these people out, just be prepared for the consequences. And if you think we have a budget crisis now, try hiring two people to replace Bob.

Councilmember Kurtzweil states, this is a business decision. Poor business decisions have been made with this budget for over 15 years. There is no planning in this document, no short term three to five year planning on how you are financially going to deal with that issue.

Mayor Galeas states, getting back to the original topic, it is extremely important to not lose police and fire from the city. The Fire Department has had a hard time keeping people there. There are communities around us and it's one of those services that are needed for the city, it is not a luxury. I agree with Harvey. As for the Department Heads, absolutely, this guy does the work of quite a few people, and not only runs the departments; he also wears quite a few hats. I am almost going to go back to the façade grants and that we will be sending the wrong message if we are going to cut everybody else. The message being sent right now is pretty piss-poor.

Motion to increase the fire-fighters to 3% as opposed to the original 2%

VOTE

ROLL CALL

Kivell – Yes
Parisien – Yes
Ryzyi – Yes
Mayor – Yes
Wedell – Yes
Kramer – Yes
Kurtzweil - No

PARKS AND RECREATION

Department Head Martin states that this is where we left off last time, the last budget item that goes under the General Fund. We have eight parks, we do not maintain every single one of them, we do certain things within the park, but we mow 47 acres per week. In the current budget right now, we are sitting at 81% of our budget.

Martin goes on to discuss Baker Park and the status on the fountain. The fountain is 20 years old; he can no longer get parts for it. The light system has died; we can no longer use them. Martin went out and got quotes with Aqua Master in Roseville, Michigan, with a programmable system and lighting the new fountain would cost \$9,700.00. In the existing budget, we still have funding to pay half now (\$4,894.00), and then come August, pay the other half out of next budget. This is indicated on line #962, miscellaneous items, Park and Trails, which shows \$1,000.00 right now and it would increase it to approximately \$4,000.00. Councilmember Kivell suggests reaching out and possibly get funding/sponsors from around the community before we add this to the budget. Councilmember Parisien asked if grant may be available to help with the cost of the fountain. The conversation regarding the fountain including maintenance, location and costs continued.

Councilmember Ryzyi suggests taking the money out of the Sidewalk Fund. Councilmember Kurtzweil addressed Chief Collins regarding the roof at the Police Department. Conversations continue among the

Councilmembers regarding cost share with the Junior League, Concerts in the Park, McHattie Park equipment and repair. Department Head Martin states that they are at 38% of the budget.

Councilmember asks if everyone is in agreement using \$5,000 for sidewalks, adding it to the \$1,000 (line item 962) that is already there, giving us the down payment for the fountain.

City Manager Ladner states, based on the cuts that have been approved, and including the Fire Department going up to 3%, we are \$82,468 to the positive. For the next year, we are at a \$221,147 deficit. Leaving the mill levy where it's at, we are at \$491,784 in the hole.

HISTORICAL

City Manager Ladner stated that the current Wedding Planner has moved out of South Lyon and will stay on until she is replaced. Do we want to replace her? The cost for a resident is \$550, for a non-resident \$650. We pay the Wedding Planner \$300 per wedding. Councilmember Rzyzi states that part of the reason for having a Wedding Planner was to help oversee scheduling issues, and managing the headaches. As a revenue generator we should obviously keep offering it, and look for somebody in the meantime.

Ladner questions if there are any changes to the Historical Budget, and proceeds to the next department.

CULTURAL ARTS

City Manager Ladner states the Cultural Arts budget does not work for a municipal budget. Changes were made based on our current budgeting.

Councilmember Wedell confirms with Ladner that Cultural Arts is part of the General Fund. Councilmember Rzyzi asks if we going to be giving a stipend to all of our volunteers (not just Culture Arts) as we have for the Cable Commission. Ladner adds that the stipend that we are seeing is not for volunteers, but for people to record and video tape events. We are currently paying for new equipment.

CABLE CHANNEL

Councilmember Kramer states that the majority of the Cable is for new equipment. Ladner states that they have \$3,000 budgeted for new equipment. The equipment that is in here is not for the Cable Commission, it is in the Administration Budget. After split with schools, our share is \$18,000.

City Manager Ladner goes on to give General Funds numbers, without the tax increase we are at \$49,174.00 in the hole. At 11.765, we are \$130.00 to the negative, which would put us at 15.9488 for an overall mileage, which is an increase of 1.3988. Taking us to 11.77, that puts us \$1,627.00 to the positive.

Councilmember Kurtzweil asks if we will be making any contributions to the General Fund. Is there a line item to add a couple of hundred thousand to Fund Balance? Ladner states that this is bare bones, bare minimum. Kurtzweil states so that will mean in another year, we are looking at Fund Balance going down to 1.2. Ladner goes on to list a few areas that we may be able to cut from. Councilmember Rzyzi goes on to ask Ladner about some of the ideas that were already suggested.

Councilmember Kramer asks if our projected deficit for next year based on the property values this year or the anticipated property values next year and whatever revenue that may generate. Ladner advises

that this is based on this year's value plus the increase that we thought evaluation in one year. Councilmember Kurtzweil states, we are an old city, we're like Oak Park, Huntington Woods, your revenues are tapering off.

Councilmember Rzyzi asks Ladner if there are any plans for MERS. Ladner states that there are a few options being looked at including taking out a pension liability bond, closing the defined benefit or creating a second tier of line benefits for new hirers. The discussion continues regarding a hiring freeze. Ladner explains, there are no open positions at this time, and we haven't established a hiring freeze. But we do need to keep in mind that the fire department is constantly in need of employees. We also have to keep in mind that we do have some department heads, bookkeepers and senior staff members that may be retiring within the next few years.

Councilmember Kurtzweil goes on to discuss MERS and how this issue has been around for a while. She goes on to talk about how the state is coming in possibly this year and dealing with teacher pensions. This will be the first step that the state is going to start taking to get these under control. It will be interesting to see what happens there. So we might have a little bit of time to see whether or not there's going to be any state assistance to get out of this. However, everyone that she has ever spoken to said that we need to get out of MERS.

Mayor Galeas asks Ladner what's going on with other communities when she is attending Seminars. Ladner states that the problem that all communities are facing is the challenge depending upon their size and their legacy costs. The city of Southfield is \$250,000,000 in the deficit, where we are \$5,000,000 and Southfield really has no idea on how to fix the problem. There is a group that has filed through a court action, several that lobby on a regular basis to legislature to get help from the state. The challenge with that is that the residents on the local level do not want to pay through taxes to fund public employee's retirement. On the state level, nobody wants to ante up the money of state funds to bale the cities out. If you can afford to bond, that is what most communities are doing, where they are 100% funded.

Councilmember Kramer states, regardless of what we do, it will cost the city money.

Councilmember Kurtzweil asks if there is there any other contingent liability in the budget. Ladner states that we do have retirees health care, they receive stipend until they are eligible for Medicare. Kurtzweil continues, asking about vacation benefits. Ladner goes on to explain vacation payout, for employees that have banked some of their vacation time, and who has accumulated hours. Councilmember Rzyzi states, this is obviously not a union thing, is it an employee handbook thing? The discussion continues regarding this policy and changing the employee handbook moving forward to control costs. Kurtzweil states that this budget does not provide for any funding of contingent liabilities. These are substantial amounts of money, so going forward there should be a plan for paying this back. Chief Collins comments that they did try to do this in the past, for when there was budget money left over in our individual departments. The requests were made to City Manager Ladner, and they were denied. Ladner, based on what his budget was, it was denied. Kurtzweil states this is not going to get resolved tonight, but we need to work on this moving forward.

Councilmember Kurtzweil received an email from Semcog, it was a test to take. Kurtzweil advised that she completed the test and the results were not good. She has put a phone call in to Mike Spence (Spencer) and she would like to hear what he has to offer.

Councilmember Kivell again adds that he would like to tear down the façade grant to \$10,000 (or something like that) this money is taxpayer dollars that we are giving to property owners. It's a great idea, if we have all kinds of dough; I think it's a wonderful idea. We are not in that seat right now.

DDA

City Manager Ladner states that in General Fund, they have approximately \$15,000 on the Farmer's Market. They have a \$35,000 contribution from the city. These funds go where needed, \$13,000 for wages for the Market Manager, \$2,500 in Operating Expense. This also includes advertising, posters, seasonal equipment, etc.

Councilmember Rzyzi again questions services and hiring freeze. Ladner states that she didn't say that we weren't going to do a hiring freeze, as for cutting services, we can cut Carmen and Dennis and Tim, but Dennis and Carmen bring us revenue. So if we cut the service that they provide, we cut the revenue as well. Rzyzi stated that Ladner had said that she would be meeting with them and find ways to identify cuts.

Chief of Police Collins goes on to explain that the department has not hired an officer since 2004 and since 2009 the department has lost 2 officers. We self-imposed a hiring freeze, but at some point, we can't sustain it.

LAND ACQUISITION

City Manager Ladner states that we do have money in this year's budget for some remodeling and repairs over at the SLARA Library building. Ladner guess-timates the total cost approximately \$25,000, based on her experience. Councilmember Wedell states that these repairs need to be prioritized. Councilmember Rzyzi questions if we really need new cabinets for just 6 employees.

Councilmember Kivell and Ladner continue their discussion on the McHattie Park rental home.

Ladner goes on to discuss the revenue sheet. Although it is something that she does not want to advise, if we really wanted to find \$25,000 in the General Fund, we could eliminate the General Fund department contributions.

CAPITAL IMPROVEMENTS

City Manager Ladner advises that under revenue, we have a tax levy and interest income, we are anticipating just over \$207,000 in revenue this year. Our expenditures include the audit expense. We had anticipated \$250,000 from the road commission for our share of the preliminary engineering for the Dixboro 8 Mile and 9 Mile construction. There is a contribution of \$400,000 to local streets. Department Head Martin and Ladner worked out a project with HRC to do a crush and re-shape on Hagadorn Street in 2017/2018. Ladner goes on to explain that they have divided the city in to quadrants, and they will be starting with the worst streets from each one.

MAJOR STREETS

City Manager Ladner goes on to explain Expenditures, which included seal coat services, routine street maintenance, snow plowing, etc.

LOCAL STREETS

City Manager Ladner states the revenue that includes contributions from Major Streets, contributions from Capital Improvement totaling \$759,963, with a total expenditure of \$712,495 for the year.

Department Head Martin does a short demonstration on water

WATER AND SEWER

Department Head Martin states that the water tower for the city is in need of painting, both outside and inside. Councilmember Kramer refers to line #970 (numbers did not line up and they are one line off) the line should read \$279,000. Martin asks Ladner to read off the numbers on her report.

Councilmember Kramer states that we will need to revise these numbers to conform to the latest handout. Ladner confirms that they will be getting a revised sheet from anything that changed at the last meetings.

Councilmember Kurtzweil states she has a question on the Tube Mill treatment water, asking if they are current or if they owe the city money. Ladner advises that they are current, except for the one quarter at the time that they had filed for bankruptcy. Kurtzweil goes on to explain how preferential payments work in the bankruptcy court.

Department Head Martin goes on to explain that the city does not treat the Tube Mills water. There is a dedicated pipe that goes right to them and they pay a reduced rate. The amount they pay us more than covers the amount of the Edison bill. Every time the water rates go up in the city, we increase their rate. Kurtzweil asks if the rates can be increased, even if only by two cents.

Martin goes on to discuss the two outstanding bills in the Water and Waste Water Department. The DWRL, the interest payment on this is \$58,250., the principal is \$139,125, the total is \$197,375.00 and final payoff is April 1, 2024. The total on the SRL for the Waste Water Treatment Plant bond is \$1,198,339., and the payoff is October 1, 2025. There is one thing that was not accounted for in this budget but needs to be done in the near future. Martin states, that when we lost power here weeks ago, the Water Department and the Waste Water Department ran the entire city off of stand by generators. What we need to do in the future is put a standby gas generator right next to the water tower, this can be done for about \$15,000., and this should be done yesterday and not tomorrow. Kurtzweil questions if we have a generator for this. Martin states we do, and we drive it out there, the one he wants will have the automatic switch gear for when the power goes down. The cost on this would be between \$15,000. and \$18,000.

The discussion continues regarding water safety.

Councilmember Kurtzweil states that even if Martin raised the water rate by a penny, she would take the additional money and go buy the generator that is needed. Let the Tube Mill pay for it. Martin states that he will bring a proposal to the table when he gets ready to do this. Council will have to approve this. Martin states that there is a clerical fee of \$6.00 on every single water bill. This hasn't been raised in a long time. Other communities are up to \$10 - \$12.00.

Martin states that there is a spot at the bottom of the Water and the Waste Water Budget there is a column there called Water Repair for the water and then Sewer Repair for the sewer. If you look under sewer repair, line item #930, repair and maintenance, that is to re-lay the sewer that runs from Water's Edge Apartments to the railroad tracks. The sulfuric acid is eating away at the inside of that pipe because it is such a forced main. He states that he has enough money in this year's budget to take care of this.

WASTE WATER TREATMENT PLANT BOND

Councilmember Wedell states from opposed 16/17 to amended 16/17, the ending Fund Balance does not match. Ladner goes on to explain the changes that were made. Councilmember Kivell requests that we change the amended to audited, so that we know what that whole stream is. Wedell goes on to state that the same thing happens between 16 amended and proposed 17. The ending and the beginning are different numbers. Ladner states that those will be changed to match.

BUILDING AUTHORITY

Ladner begins by stating that we are not planning on getting any money from drug forfeiture. But we do have an expenditure planned for drug forfeiture. Councilmember Kramer asks if there is any way that we can find out the authorized usage. Chief Collins states that it is restricted to law enforcement. He adds that there are some issues in this spread sheet.

CEMETERY

City Manager Ladner discusses the perpetual care fund and what it is used for. Councilmember Kramer asks Ladner if cemetery fees have been raised. Ladner confirms that they have.

BUILDING AUTHORITY

City Manager Ladner starts out reviewing expenditures and revenues. She advises Council that we have \$209,951. in the fund. Councilmember points out that the Fund Balance totals do not match again. Councilmember Kurtzweil confirms that the general revenues include the SLARA rent. She also advises Ladner to take out the amount for the sidewalks.

Ladner reviews the numbers stating they are at 11.77 for General Fund, overall city levy at 15.9538, which is an increase of 1.4038 mills. Councilmember Rzyzi asks what the following year will be at. Ladner advises that we will be sitting at a \$221,347. deficit. Rzyzi goes on to state, outside of Fire, there's not really any other cuts that are in this budget that are not in that budget. Councilmember Kramer questions Ladner if that includes the façade grant. Ladner confirms that it does.

Councilmember Kramer asks Ladner when she will have the finalized numbers. Ladner states at the latest Friday. Councilmember Rzyzi asks if the budget will be going on the website. Ladner advises that we generally don't, but it will be available at City Hall.

ADJOURNMENT

MOTION TO ADJOURN

**Motion by Kivell, Supported by Parisien
Motion to adjourn at 10:30 p.m.**

