

SPECIAL CITY COUNCIL MEETING  
BUDGET WORKSHOP  
MARCH 28, 2018

Mayor Pelchat called the meeting to order at 7:30 p.m.  
Mayor Pelchat led those present in the Pledge of Allegiance

Present: Mayor Pelchat, Councilmembers: Kivell, Kennedy, Kurtzweil, Parisien, Richards and Walton  
Also present: Lieutenant Sovik, Attorney Wilhelm, Department Head Boven, Fire Chief Vogel,  
Bookkeeper Mosier, and Clerk/Treasurer Deaton  
Absent: Councilmember Parisien, and Chief Collins

Brian Camiller of Plante Moran stated this is a draft budget and we only have a short period of time tonight, so he wants to stay on topic. He then explained the ground rules of the meeting.

1. Big Picture
  - a. Pension and OPEB Funding

Mr. Camiller stated the City is not in violation of the PA202 which requires 60% funding and the City is currently 66% funded. He stated Council will have to decide if prefunding is something they want to do, and if so, are they willing to charge the residents more for taxes. He then explained the OPEB is currently 0% funded, but it is only 1.5% of government revenue. He stated some communities can afford to pre-fund, but some communities cannot.

- b. Utility Rates

Mr. Camiller stated some communities raise their rates annually, which is what he recommends. He stated you need to make sure you have enough money for your system, and if you have a yearly increase, it will train people to expect a yearly increase. He further stated the City currently has a well-funded system. The Water and Sewer account has \$8 million in cash. Mr. Camiller explained the City hired RW Baird for a rate study and that study calls for a 13.2% raise for water and 6.9% raise for sewer to achieve the required 110% debt service coverage. He stated that doesn't mean you have to stay with that study. You are not in any danger of running out of money. He stated another option would be to have Plante Moran do a quick rate study and the City could compare the 2 studies then make a decision of what increase should be made. Councilmember Kivell stated he would like to see the two studies for comparison to see if there is some middle point we can use. Councilmember Kurtzweil asked if the Baird calculations include increases to cover the debt service 110%, why would we not do that. Stated if we have \$4 million in restricted funds, and \$4 million for whatever, that doesn't seem like a lot of money for the water plant. Mr. Camiller explained he disagrees, that is a good amount of money. He further stated you are already gaining money each year. Councilmember Kennedy asked when the rates were last raised. Ms. Mosier stated the water and sewer fees were raised last year. Mr. Camiller asked if Council wants to discuss prefunding the pension or OPEB? Councilmember Kurtzweil asked if the million dollars will increase overtime. Mr. Camiller stated it could, if you increase your stipend, or if people live longer, because it is based on an actuary which guesses how long people will live. He further stated he believes in saving to pay liability but you can if we want to pay as we go and pay a certain amount per person. Councilmember Richards stated the City has a lot of vacant homes in town, and they are not off the grid, someone gets a water bill and someone pays it for the first 9 years, at that time, they go off the grid and no more bills are sent out. He stated the most important thing is to increase revenue and building permits are limited to us. Mr. Camiller stated he would not suggest raising tap in fees as opposed to water and sewer rates. That is why he suggests raising rates every year. Ms. Mosier stated the OPEB is terminated

when the employee turns 65 years old. Councilmember Kennedy asked how much money we haven't collected because residents are not calling to have their meters replaced. Department Head Boven stated there is about 200 to be replaced and we will be targeting that. Councilmember Kennedy stated someone waiting a year and a half to wait and have their meter replaced. Department Head Boven stated his thought is if the resident won't call to have their meter replaced, we shut them off until they do. He further stated it is always in their benefit if their meter stops working.

## 2. Revenue

### a. Property Tax

Mr. Camiller stated the taxable value is up \$17 million per Oakland County Assessor. He further stated as of now, in this draft budget, there is a millage increase of 0.4062 mills with an increase to Operating and a decrease to Debt, Capital Improvement, and Land Acquisition. He further stated the General Fund currently has a surplus of \$180,000 which could be used for the pension unfunded liability of Council if chooses to do so. Or Council can raise the millage for pre-funding. If you just want to pay the bills as they come in, you don't have to raise the millage.

Councilmember Kennedy asked what the authorized amount is that the City can raise the millage without voter approval. Ms. Mosier stated 13.4710 is the maximum under Headlee. Mr. Camiller stated the current mill rate is 12.64. He further stated 1 mill is \$359,000.00

Councilmember Kurtzweil asked if the 3.0 mills will be enough to cover the debt. Mr. Camiller stated yes, that will cover it because the interest payment of the debt goes down every year. Ms. Mosier stated the 3 mills is for sewer debt not the DWRF, and yes that would be enough. Mr. Camiller stated we receive \$45,000.00 towards that fund from the LCSA money which replaces the personal property taxes municipalities used to receive. Councilmember Kivell asked if that is close to the offset of what the personal property taxes would have been. Mr. Camiller stated the City is coming out ahead.

### b. State Sources

Mr. Camiller stated currently the City received approximately \$1 million from the sales tax which is called state tax revenue sharing. He further stated there is also LCSA where is given to the City to replace the personal property tax. Mr. Camiller stated there is Act 51 road funding which they use a formula of the population multiplied by the miles of roads in the community. The other revenue comes from building permits, which is difficult to determine. Ms. Mosier stated the City only keeps 25% of building permits, the other 75% goes to Safebuilt. She further stated the \$239,000 is an estimate, but again, the City only keeps 25%.

Mr. Camiller stated the City has a Cemetery perpetual care fund, which can only be used for upkeep of the Cemetery, those funds cannot be used for anything else.

Councilmember Kivell stated he heard a story on the radio about someone in the legislature that is trying to reduce Headlee by 2%. He can't imagine that would pass. Mr. Camiller stated that is not a good idea. He further stated he is hoping Lansing will make a change in Headlee to allow communities the ability to charge whatever millage they need to.

Councilmember Kurtzweil asked when the 0.24 mill falls off, could we use that mill elsewhere. Mr. Camiller stated yes, that is a general mill fund. Councilmember Richards stated the City owns a lot of parcels in the City. What if the City wanted to sell some of them, does the money go into general fund, or non-disposable assets. Mr. Camiller stated it depends on how the property was purchased. If it was gifted or bought with grant money, you may not be able to sell it for a profit. Councilmember Kivell stated 390 S Lafayette that was recently purchased, and when we sell it, we cannot make a profit on it, but it will be returned to the tax roll so it can generate tax dollars.

## 3. Debt

Mr. Camiller asked if there would be any additional debt obtained this year. Council was not interested in gaining any new debt in the next fiscal year.

Mr. Camiller stated the City has two bond payments coming off, for the Wells Street Parking which is paid for by the DDA, and the payment was \$35,000 a year. So, after that is paid off, the DDA will have an additional \$35,000 in their budget. He further stated City has the ability to allocate the .24 mills elsewhere. He further stated the Volunteer Park bond will be paid off as well.

Mr. Camiller stated the City has a \$1.1 million bond on the wastewater treatment plant bonds and the debt millage of 3.0 does cover it. He further stated the 3 mills plus the LCSA reimbursement is enough to pay 100% of the debt service for the next 3 years.

Mr. Camiller stated the water revenue bonds are paid through water rates.

Councilmember Richards stated they have a master plan for volunteer park, and phase 1 could cost \$3.6 million dollars. He asked if the City could lease part of the land, possibly to a carnival as Lyon Township does, and if so, where could that money be used. Mr. Camiller stated that would be unrestricted, but you would have to consider the police overtime plus the risk of damage to the park. There would be a lot of risk involved. Councilmember Richards stated other communities have their own cottage industries, like cider mills, and flea markets, he thinks the City should as well.

#### 4. Expenses

Mr. Camiller stated he isn't aware of how many employees that are not in bargaining units, but the contracted raises are part of the master schedule. Ms. Mosier stated there are only 5 or 6 not including part time employees. Mr. Camiller stated the wage numbers are pulled from the wage roster. Ms. Mosier stated she used 10% for the overtime. She stated the Police Department knows what events they have to account for their overtime, but she doesn't have that information. Ms. Mosier stated we paid out Bob Martin so the DPW wages are a little higher. Councilmember Kurtzweil stated from a cost control aspect, it was difficult not having an estimated overtime in the budget. Department Head Boven stated he generally accounts for 90 hours per person per year, which includes snow plowing which can be different every year. Councilmember Kurtzweil stated there was no overtime accounted for administration. Ms. Mosier stated generally administration doesn't get overtime. The only person that would be paid overtime is Judy for taking minutes at Planning and Council meetings, and she will add that to the verbiage. Lieutenant Sovik stated most of their overtime is contractual with holidays, birthdays, there are 13 holidays they get paid in a year. The average is 6 ½% and most is contractual.

Mr. Camiller stated 10% each seems reasonable and seems managed very well. Lieutenant Sovik stated we get approximately \$10,000 back for police coverage of Pumpkinfest and school dances.

Mr. Camiller stated the Fire Department is requesting a new Explorer and a refurbished ladder. He stated these could be financed over 3-5 years. You have the benefit of the residents paying for that particular year, versus taking the money out of general fund. Councilmember Kurtzweil asked how many miles are on the vehicle they want replaced. Fire Chief Vogel stated 63,000, but the gas mileage and repairs are killing them. We could postpone one more year if we have to. He further stated he would sell the Excursion and put the money into the general fund. We may get \$2,500 for it. Fire Chief Vogel stated we can use the refurbished ladder for at least 10 years. He further stated that for this money, we will get the hydraulics and a minimum of 10 years.

Mr. Camiller stated the Police are requesting 2 cars for \$84,000. Lieutenant Sovik stated that they asked for two last year but ended up with one. Councilmember Kennedy stated one of the ones we are replacing is the one rear ended by the drunk driver, and we should be getting money back for that from insurance. Lieutenant Sovik stated we already have received that money. It will be \$42,000 for the car with all the equipment, lights and graphics. Councilmember Kurtzweil stated she doesn't mind replacing a vehicle that was damaged, but she is not in favor of replacing two. She will not approve the \$10,000 to replace office furniture either. She then asked about them wanting to replace a police officer so we can put a resource officer in the High School. She then asked if the School has asked for an officer. They already

have an Oakland County Sheriff there. She then asked if they have someone trained as a school resource officer. She stated she doesn't mind kicking in money, but it is up to the schools. She is not in favor of adding a police officer to the payroll. Councilmember Kurtzweil stated her opinion is there wasn't anyone that came to the microphone at their meeting discussing the SRO saying they wanted a South Lyon Police Officer in the school, and they already have an Oakland County Sheriff. Why would we even consider this when she can contribute to the Oakland County Sheriff. They have better resources. Lieutenant Sovik stated he has been told people do want a South Lyon Police Officer in the school.

Councilmember Kennedy asked if the drug forfeiture money can be used towards the office furniture. Ms. Mosier stated that is a restricted fund. Mr. Camiller stated you can use it towards a car, but if they get all the computers, they won't have enough in the account. Councilmember Richards stated he went through the Police budget, and 13 lines show a decrease, which is good, but it doesn't offset the legal fees. He asked why the benefits and legal fees increased so much. Lieutenant Sovik stated he doesn't know why the legal fees are up, except there is more prosecutions. Councilmember Richards stated we could save \$50,000 to \$100,00 a year if we went back to motorcycles. Lieutenant Sovik stated we haven't used motorcycles in years, and when we did have them they were rented and it was expensive.

### Capital Improvement

Mr. Camiller stated there is an item for paving the DPW yard for \$350,000. Also \$400,000 being transferred from capital improvements for local streets and \$450,000 for years 2020 and 2021. Department Head Boven stated that is based on the PASER study, and that is only half. Mr. Camiller stated this also includes \$20,000 for a new police roof, and \$7,000 for the fence to be replaced at the Police Department. Councilmember Kivell stated there is no reflection for our portion of paving Dixboro Road. Mr. Camiller stated that is in the current year budget. Lieutenant Sovik stated they are using the \$23,500 of drug forfeiture for 5 new mobile data computers for the vehicles.

Mr. Camiller stated under the vehicle replacement fund there is a request for a new zero turn mower for \$13,000, \$43,000 debt payment for the street sweeper, \$167,000 for a new dump truck and \$90,000 for a new backhoe. He suggests to make these installment purchases and not buy them outright. He further stated the funding for this comes from the general fund, streets, W&S, Cemetery and Parks and Recreation accounts. Department Head Boven stated the dump truck has a cracked frame and is 18 years old, probably not worth \$15,000 and it would cost \$12,000 to fix it. He further stated we aren't going to get much life out of it even if we did fix it. He stated the backhoe is very old and when they drive it, it just stops running. They have had John Deere come out and look at it, but they can't figure out what is wrong with it. Councilmember Richards stated John Deere is very expensive, and we don't have to have the top of the line backhoe. Department Head Boven stated we will take it out to bid and see who responds.

Councilmember Kivell stated the parking lot is very expensive, that may need to be broken down into phases. Will it be contracted or will our guys do it? Department Head Boven stated it will be contracted.

### Water and Sewer

Mr. Camiller stated there is a line item for \$179,000 for the water tower painting and maintenance. \$35,000 to rebuild well #2. Department Head Boven stated that rebuild for well #2 will be removed because it is being done now. Mr. Camiller stated in 2020 there is a line item for \$70,000 for filter tank painting. \$1 million for a new well under the DWRP. \$40,000 to replace one bank of ultraviolet lights and \$30,000 for a raw sewage pump #1 check valve. He further stated you can consider paying for these with cash or bonds. Mayor Pelchat stated a year ago we were having issues with the cameras and recording the meetings. There was an agreement with the schools to split the cost to replace all the equipment. Our cost would be \$38,000. He further stated meetings could then stream live. Mr. Camiller stated he would like Council to consider, do you want to pre-fund pensions and OPEB.

In addition, Council needs to think about if there is anything they are not ok with under capital improvements. He stated he will take that into consideration and update the budget for the next meeting. Councilmember Kurtzweil stated she sent him a detailed questionnaire, and most have been answered this evening. She then asked if the City is required to display any debt services. Ms. Mosier stated there is a link on our website and a printed copy on City Hall for anyone that would like to see it. Councilmember Kurtzweil asked if all department heads have the capability to look at the budget at any time. Ms. Mosier stated they all have print outs, but we are not all on the same server. Councilmember Kurtzweil stated most cities department heads have access to the budget at any time. This is about efficiency. The City needs to move forward with modern technology. Ms. Mosier stated she doesn't have a problem allowing read only access, but again, we aren't all on the same server. Some discussion was held regarding using schedule C for the cost benefit of itemizing the time used on each piece of equipment.

CM 3-1-18 MOTION TO ADJOURN


Motion by Kivell, seconded by Walton

Motion to adjourn the meeting at 9:15 p.m.

VOTE: MOTION CARRIED UNANIMOUSLY

Respectfully submitted,

  
\_\_\_\_\_  
Mayor Daniel Pelchat

  
\_\_\_\_\_  
Clerk Lisa Deaton