

**MINUTES
ST. CLAIR SHORES CITY COUNCIL BUDGET STUDY MEETING
THURSDAY, MAY 6, 2010**

City Council Budget Study Meeting, held in the Council Chambers, located at 27600 Jefferson Circle Dr., St. Clair Shores, Michigan.

Present: Mayor Hison, Council Members Frederick, McFadyen, Rubello, Rubino, Rusie and Walby

Also Present: City Manager Hughes, Assistant City Manager Smith, City Clerk Kotowski, Directors Haney, Rayes, Controller Schuster, Assistant City Engineer Babcock, and City Attorney Ihrie

CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Mayor Hison called the meeting to order at 6:00 p.m. Ms. Kotowski, City Clerk called the roll and a quorum was present. The Pledge of Allegiance was recited by all.

COMMUNITY SERVICES

The elimination of part time staff and the Code Enforcement Supervisor position shows a decrease in the expenditure for a total of \$80,345. The Chief Building Official and the Electrical Inspector mentioned that they would be retiring, and there would be consideration of contracting these services. This year's budget is close to last year's budget when comparing revenue and expenditure.

There was a rise in the residential and commercial building permits in the fiscal year 2005 that has declined slightly each year since. After looking at the data, they anticipate a slight rise this fiscal year. When we notice homeowners having work done on their house without pulling a permit, we send them a letter stating that we noticed that work was done on their house and notify them that they need to pull a permit.

A number of contracts are coming up this year to be bid, such as, for lawn cutting, snow removal, and for our engineering services.

The goals and objectives are to support the H.AVE campaign, but the H.AVE campaign is not funded by the City.

Mr. Frederick inquired about the \$1,000 under the Items for Resale and asked to be notified when the next item is going up for resale.

It was discussed that the sidewalk repair program is billed to the property owner for what is done to their property, so this revenue is offset by City expenditures.

There was discussion about the Neighborhood Stabilization Program and that it takes up a good amount of Ms. Koto's time, but a portion of the block grant is used to pay the employees salaries.

The Harper Avenue Pocket Park Project will be completed after the landscaping around the benches is done. The maintenance of the landscaping will come out of the Corridor Improvement Authority's budget.

Ms. Rusie asked that Council be provided with recap information on the City costs for the Harper Avenue Pocket Parks.

The negotiating terms regarding the deadline and timeline for the Gourmet House will be implemented. Currently, there are issues with the liquor license and the demolition of the building. By August 31, 2010 all parties should have executed their part in order to get this project done. Condemnation proceedings were filed by Counsel.

Mr. Ihrie stated that Council wanted the Gourmet House demolished by October 2009. He said that it's the City that wanted the building demolished and the property owner wanted to keep the building up. It appeared that the owner felt he could sell the property easier with the building standing. When an agreement was not reached, the City sued the property owner. Even though there is a lawsuit, it would be up to the Court whether they would make the property owner demolish the building or if they would give the property owner time to repair it. The City can choose to push the lawsuit, but the fact is that now we have the property owner agreeing with us that the building should be demolished.

COMMUNITY SERVICES (Cont'd)

There was discussion that the recommendation from the Community Development Department to Council was to have the building demolished. The building is structurally sound, but the building is obsolete and the property does not suit that building. It's important to keep the negotiations open with the property owner in order to get what we want.

It was conversed that the Gourmet House and the Shorecrest Lanes building on Harper by Nine Mile Road are both eyesores and need to be demolished. Both properties are unkempt and do not fit in with what the City is trying to accomplish. There is no tax value to the Gourmet House and the property has been taxed as a vacant lot.

Mayor Hison requested to be updated on the negotiations on the Gourmet House and Shorecrest Lanes demolition and future uses.

It was noted that under Phone and Communication, the Phone & Pagers account is outdated language that needs to be updated. It was clarified that the Community Development Department has five phones and no pagers.

There were questions concerning why the Community Development Inspectors aren't in the field with portable computers to enter information. The City of Roseville will be testing the latest computers in July. It was noted that there are Federal dollars for grant money for the Police and Fire computers, but there are no grants available for the Community Development for portable computers. The technology is there, but is not advanced enough to have the portable computers download information quickly enough. The City will continue to pursue and explore this area.

Mr. Walby requested that the City research current and upcoming technology for CDI inspectors in field tablets to use as time savings.

There was a question about the overtime amount of \$11,478. It was clarified that the only overtime is during the sidewalk program. It was mentioned that the overtime amount is down since last year.

DPW ADMINISTRATION

Mr. Hughes mentioned that the next eight items fall under the DPW and since Jim Harbison has temporarily stepped up as acting DPW Director, he didn't think it would have been fair to ask Mr. Harbison to prepare for and speak on these items.

Mr. Smith said the DPW Director oversees Water and Sewer, Streets, Motorpool, Sanitation, Forestry and Signs. This year's budget is divided into 30% Water and Sewer, 30% Road Funds, 10% Motorpool, and 30% Sanitation.

It was discussed that there was a difference in the amounts under the wages/salaries account of \$91,418 and \$94,161. It was clarified that \$94,161 is the correct amount and \$91,418 is a typo. The transfer of money to the Streets Fund was questioned and there was discussion regarding if there are not sufficient funds in the streets funds account then the money is reallocated to rebalance everything.

Mr. Smith stated that we do have plans to hire a DPW Director, but Administration doesn't want to make changes to staff at this moment. He said information was sent to the prosecutor's office in the necessity to speed the process up. The prosecutor now has our file in his hands and until he has the time to look at the file, we don't know how long it will be until we get feedback.

The daily process is running smoothly in DPW, but new programs will not be initiated until everything is settled. It was mentioned that DPW should be commended for working hard.

Mr. Rubino requested feedback from the employees on how they feel they could do their jobs more efficiently. He said some employees have stated that the EPOKE system is not efficient. The employees feel that the EPOKE system is meant for highway streets and not for City streets. He stated that maybe the City should consider selling the system.

Mr. Smith noted that the employees said they have to wait for the machine to make brine, which takes a long time.

Mayor Hison stated that we purchased the EPOKE system in order to save money on salt purchases.

Mr. Smith said he would review the efficiency of the EPOKE System and advise Council.

DPW ADMINISTRATION (Cont'd)

Mr. Walby called three or four City Managers in the State who have used this equipment and he asked how effective it was. The feedback he received was that if you don't understand the system and don't have the proper training on it, it would be a complete failure. After hearing this, he doesn't think that we managed the whole process effectively.

Mr. Smith announced that he is very confident that a new director will be in place and will have the EPOKE system figured out long before the first snowfall. He stated that we would do an internal investigation once we get our files back from the prosecutor. He stated that he would give the prosecutor three weeks to return our files before he contacts him. He stated that we would have a permanent DPW Director in place by July 1, 2010. We will evaluate all staff and all other candidates then decide who the best candidate would be.

SANITATION

It was noted that the contributions have gone from \$149,000 to \$451,659. This account shows how we looked at each account and moved funds to reflect each account more accurately.

It was mentioned that the City allows \$50,000 for pest control services. The City has a contractor for the rodent control. The fund is running low and we can move funds to cover the rodent baiting program to the end of this fiscal year, while maintaining a balanced budget.

It was mentioned that once an experienced DPW Director is hired, the DPW Director would be able to look at our process from a professional standpoint and make adjustments in order to have the department run more efficiently.

Mr. Walby stated that he is uncomfortable knowing that some of the previous bids that he voted on might have been flawed. He feels that we should review the contracts that were bid by DPW in the last few years and consider rebidding these contracts.

WATER

It was noted that the elimination of one position in this department was done through attrition.

Mr. Frederick suggested for next year's budget presentation to find a way to include the current year's fringes by positions so they can be compared to the proposed years.

There was discussion regarding the proposed pump station and operation of the water tank. Mr. Hughes will present to Council the pump station bids and recommendations on this project in July.

It was noted that a loan that the City recently applied for was for the underground water mains. Under repairs and maintenance line item for meters, \$200,000 was questioned. This amount was for normal meter replacement and repairs. The previous two fiscal years, meter replacements were the conversion of commercial meters throughout the City as well as normal repairs/replacements.

Mr. Smith said the situation of the large bill was due to replacing the water meter reader guns. The City looked into replacing the water meters and found that it would be more cost effective to not replace the meters, but to replace the reader guns. He said the reader guns are approximately four to five years old. There was an issue with conductivity. There is a list of houses that have these issues.

It was mentioned that there are three different water meters throughout the City. It was noted that this issue would be further looked into in regards to if they were installed properly and if any portion could be recovered through the insurance.

Mr. Walby asked where the water meter reader guns were purchased and who the contractor/representative is for the radio reads of the water meter system.

The contracted concrete work of \$125,000 was discussed. It was noted that \$159,000 was budgeted for last year; this year \$125,000 was budgeted for and was amended at \$159,000.

It was mentioned that the \$365,750 in overtime was for the entire water department and for anyone that needed to be called in for assistance.

SANITARY SEWER

Mr. Haney explained that the disposal cost is based on an estimate and may be adjusted after the City receives the rates from SEMSD, we will pass them on to our users.

Mr. Smith announced that there would be a retirement coming up soon. The City will fill this leader position and will not fill the lower level position, which would save approximately \$60,000.

STORM SEWER

Mayor Hison stated that the amount has been reduced by \$27,000 for this fiscal year.

Mr. Haney noted that the reduction was due to non-use of carryover from this budget and we will start with the same amount as last year.

Mr. Haney noted that the City charges \$10.41 per quarter on the water bill for storm sewer.

WATER & SEWER RATES

It was discussed that in the current budget it is estimated that the City will purchase a certain amount of water. A certain amount of water will be "lost". In the last couple of years, the amount of "lost" water has stabilized.

Mr. Haney explained that we are proposing to decrease the percentage by 2%. The average is currently 16%. We feel comfortable bringing it down to 17%, which will allow us to maintain our rates for our citizens. He said that the City of Detroit is increasing the fee by 2.5% and we are expecting a 7.8% increase to sanitary rates. The overall rate increase will be approximately 17.6% because some changes that were in variable rates have been moved to fixed charges and increased.

Mayor Hison noted that the rate increase is (reflective by what DWSB charges) outside of our control and it is up to the City to offset it.

It was mentioned that there was a clearer breakdown of the water bills in order to allow people to understand it better. The \$76,000 in penalties was due to late fees. Last years penalties totaled \$171,000. It was discussed that the City sends the homeowner three notices. The City is aggressive on collections. The City is allowed to transfer unpaid water bills on the tax bill and is then a lien on the property. It depends on the circumstances whether the situation would be classified as a hardship.

The main reason for the 17.6% increase of the sanitary sewer is the system is experiencing an excess of flow. The storm water is adding 1.5 times more water to the combined sewer system, which is why it has increased.

Mr. Haney said the City is proposing to increase the billing charge from three dollars to five dollars per bill.

MOTOR POOL

It was noted that since last year's budget, there is one less mechanic.

Ms. Rusie asked to be provided a listing of the age of the five Police Vehicles in the 2011 budget to be replaced and their depreciation schedule.

Mr. Haney said that each vehicle is on a depreciation schedule. He said that four locations were compared; Macomb, Wayne, Oakland, and MITN bid pricing and so far Macomb has the best price.

It was discussed that most vehicles that pass the depreciation stage are auctioned since there no longer are other departments in the City that can use them. The City contracts its auction services out.

Mr. Rubino asked that Council be provided with the auctioneer agreement used for Police Vehicles.

The \$260,000 for repairs and maintenance was discussed. The repairs and maintenance has increased because the City is keeping vehicles longer and having to repair them and it is costly to repair the fire trucks.

Mr. Walby inquired about the computer system program status for keeping and maintaining records for the vehicle repairs. He asked that Council be updated on the progress on the Motorpool computerization program for vehicles, equipment maintenance and implementation timeline.

MOTOR POOL (Cont'd)

Mr. Smith said the Fleetware Software has not been implemented as administration wanted to wait until the new DPW Director is situated so that everyone can be trained at once.

The GPS system has been installed in 50% of the vehicles. The system is being evaluated before the remaining 50% is purchased.

Mr. Walby asked that the GPS system evaluation report be submitted to Council.

STREETS

Mr. Haney stated that the local and major concrete replacement started out at \$125,000 and it was amended with \$135,000 carryover. The \$950,000 for pavement repairs was for the concrete overlay partially funded by grants.

Mr. Babcock said this particular project involves removing and replacing four inches of concrete on Little Mack between 10 Mile and 12 Mile. The other option is to install asphalt. He said this process has been done on a number of streets in other cities. This would be the first time it will be used in this City. The City is receiving over \$1.68 million for the project. The entire cost of the project will be approximately \$2.6 million. The cost to replace the road entirely would be approximately \$9 million. The partial depth repair has helped slow down the deterioration and should allow for another twenty years of life on this road.

The primary Harper water mains are from Share Street going north to Masonic on the east side then north from Masonic on the west side need to be completed prior to the road project. There are multiple water mains that the City is trying to replace. DTE will come in and move their poles/lines to the east side as they are in the right of way. The lighting is the City's responsibility. The water mains are put in the road right of ways in order to prevent the City from having to tear up the roads in the future.

Mr. Frederick asked Mr. Rayes to confirm that Harper, north of 13 Mile into Clinton Twp. has been approved so the project is not delayed.

COUNCIL

Mayor Hison stated that 5% cannot be taken from the Mayor and Council wages at this time, but 5% can be donated back to the City's general fund by Council Members.

CITY MANAGER

Mr. Hughes noted one change; for the previous years the special activities of approximately \$85,000 was transferred to the Parks and Recreation account.

FINANCE

Ms. Rusie asked why the significant increase in the performance measure "other billings", which was at 2,239 in 2008-2009 jumped to 5,231 in 2009-2010.

Mr. Haney stated this was due in part to additional billings of snow and grass services.

Mr. Haney said that the banks have tremendously raised their fees. He noted that First State Bank is the City's primary bank and did not charge any fees until February 1, 2010.

Ms. Schuster explained that there is a charge any time the City needs to withdraw or transfer funds. She said that they went through and closed all the accounts that had small amounts in them.

There was a decrease in their overall budget because of the temporary position that was eliminated.

Mr. Rubino questioned what the administration fees were that were charged for the weed and snow billings. He suggested that we make sure that all our accounts are fully insured.

Ms. Schuster stated that the FDIC insurance is per Federal Identification number and not per account so it is impossible to fully insure every account.

Mr. Hughes stated that the discussion of the investment strategies is scheduled for the May 17, 2010 Council meeting.

GENERAL GOVERNMENT

Mr. Haney stated that the OPEB funding of approximately \$4 million was removed out of this budget. In the 3rd quarter budget amendment, you will see \$1.3 in OPEB reductions as well.

Mr. Smith explained that our contribution rate was scheduled to go up next year, but by increasing the contribution now, it will lessen the amount we will have to increase next year.

Mr. Haney said the contingency fund was entered at the traditional amount of \$250,000.

It was discussed that the City could reduce the number of phone lines and switch to a digital system, which could possibly save \$1,000 a month. The current equipment is beyond its life expectancy and the replacement is budgeted for in capital outlay.

BOARDS & COMMISSIONS

Ms. D'Herde stated that the Communications Department and the Boards and Commissions are merged. One position was eliminated in the Communications Department. In order to maintain a level of service with reduced staff, shows will have to be filmed on a rotating basis. She stated she would be working with SPECS Howard School and Macomb Community College to participate in unpaid internships.

Ms. Rusie noted that Council recently approved the Older Person's Advisory board members size from nine to thirteen members. She requested that this be reflected on page 20. She asked about the \$9,600 Parade Council.

Ms. D'Herde stated that the \$9,600 is a donation to the Parade Council.

Mr. Rubello asked about the cost of the calendars.

Ms. D'Herde said that the calendar is self-funding. The advertisements in the calendar pay for the printing. She stated that four additional pages would be added this year for business card sized advertisements, which will bring in approximately \$7,000 revenue.

INFORMATION SYSTEMS

Mr. Corless noted that in the department is Karen Fleming, Allan Krueger and himself. He mentioned a list of duties, responsibilities, and achievements that the department maintains.

Mr. Smith noted that it was through Mr. Corless's efforts that Allan Krueger was switched to a contract employee in order to save the City money and to save the position.

Mayor Hison announced that a savings of approximately \$50,768 was realized due to this department's hard work.

Mr. Smith noted that whenever possible, everyone is billed under the general fund for the work this department does.

BUILDING MAINTENANCE

Mr. Smith explained that the Code Enforcement Supervisor position was also the Building Maintenance Supervisor. The Building Maintenance Department has three employees total and is led by Sam Zettner and they report to him. They repair and maintain the electrical, plumbing, and buildings, which saves money. They respond quickly and "bring a lot to the table".

Mayor Hison mentioned the Honeywell program and that the City decided not to change, but will look into the City maintaining the buildings in the future.

Mr. Haney stated that the City is requesting to carryover \$21,000 for the City Hall parking lot repair.

It was discussed that \$8,000 was budgeted for this year and last year for the sprinkler system. The City is currently working with Tim Dorner to make all the sprinkler repairs in house.

CORPORATE INSURANCE

Mr. Haney noted that the City has fully funded its reserve for workman's comp and liability insurances. The City invited more than twenty companies to bid on the liability insurance. Eight companies completely downloaded the information and only two bids were submitted. One bid was removed by the company one day before the deadline. He said they are currently evaluating the two bids.

SPECIAL REVENUE FUNDS & DEBT

Mr. Haney said these funds and debt are defined as having a special purpose that you can only use for one "thing". He stated that in 1997 the arenas were rebuilt. The City currently has a revenue bond system. The City will return old bonds and renew bonds at a lower rate. The renovation of City Hall was paid off. The City issued debt to repair 12 Mile Road in 2001. The City's debt service for the year is \$5,887.656.

Mr. Hughes stated that he has looked into paying debts off earlier and refinancing debt.

TIFA & BROWNFIELD & CIA

Mr. Richard Widgren, Chairman of TIFA and Brownfield, said the budget for TIFA for the year is proposing total revenue of \$620,503 and is a decline from \$886,700. He stated that this was addressed by moving money around. He mentioned other expenditures, such as, cost of professional services, repairs and maintenance at a cost of \$580,000. He said TIFA had kept a minimum of \$750,000 for new projects. In 2012, they will run into problems because of the 20% decrease in tax revenue. The TIFA Board offered to take the balance down by adjusting the administration fees. TIFA is looking to work with property owners at this time. It is difficult to move forward with any projects at this time. The debt service expires in 2013.

Mayor Hison questioned the \$20,000 that was allocated for the park.

Mr. Widgren explained that it was the cost to replace parts, pumps, and other "things" in Wahby Park.

Mr. Widgren said the Brownfield budget was revised. They expect to collect \$2,500 from people using service charges. There will be no capture in 2011.

Mayor Hison noted that Brownfield is City wide and not just for the Nautical Mile.

Mr. Widgren noted that funding for the projects comes from the projects themselves. He explained that \$4,900 was captured and \$4,600 was the cost for site cleanup.

Mr. Rubello questioned if anything can be done to the vacant property at Jefferson and Ridgeway because it is an eyesore.

Mr. Widgren mentioned that the ways they can spend money has tightened and they have to stay away from fixing up properties that taxes cannot be collected on.

Mr. Frederick questioned the increase to \$350,000 from the \$50,000 for administration fees. He asked if the money has to be refunded to other taxing entities.

Mr. Widgren said that the money does not have to be refunded. The money is put through formulas by the City.

OTHER BUSINESS

Mr. Haney stated that he would need Council's permission to publish the tax rates and budget public hearing notice.

Mr. Walby stated that first, he wants 5% concessions from employees and not one bargaining unit has brought this forward yet.

Mr. Hughes stated these two evenings have provided the opportunity to deal with the proposed budget's \$648,000 deficit. Council needs to provide input on if carryover funds balance or additional budget cuts would be used to balance the budget.

PUBLIC PARTICIPATION - None

ADJOURNMENT

Motion by Frederick, seconded by McFadyen to adjourn the meeting at 10:22 p.m.

Ayes: All – 7

(THE PRECEDING MINUTES ARE A SYNOPSIS OF A CITY COUNCIL MEETING AND DO NOT REPRESENT A VERBATIM RECORD.)

ROBERT A. HISON
Mayor

MARY A. KOTOWSKI
City Clerk