

**MINUTES
ST. CLAIR SHORES CITY COUNCIL BUDGET WORKSHOP
SATURDAY, MARCH 19, 2011**

City Council Budget Workshop, held at the St. Clair Shores Country Club, located at 22185 Masonic, St. Clair Shores, Michigan.

Present: Mayor Hison, Council Members Frederick, Rubello, Rubino, Rusie (arrived 8:08 a.m.) and Walby

Absent & Excused: Council Member McFadyen

Also Present: City Manager Hughes, Assistant City Manager Smith, City Clerk Kotowski, City Attorney Ihrie and Directors Babcock, Esler, Haney, Morehouse, Orlando, Povich, Rayes, and Wallemann

CALL TO ORDER

Mayor Hison called the meeting to order at 8:03 a.m. with a quorum present. He noted that Mrs. McFadyen asked to be excused from this meeting.

Motion by Frederick, and seconded by Rubello to excuse Mrs. McFadyen from this meeting.

Ayes: All – 6
Absent: McFadyen

REVIEW AND DISCUSSION OF FISCAL YEAR 2011-2012

Mr. Hughes thanked everyone present for their attendance on a Saturday morning. He noted that Mr. Ihrie provided the coffee and no City funds were used for providing the coffee this morning.

The purpose of this session is to provide direction and options for where we will be on July 1, 2011. Possible expense reductions, revenue enhancements and the use of a portion of the rainy fund will be presented.

In four weeks we will deliver to the Mayor and City Council the printed copy of the proposed budget. Four weeks after that will be the budget hearings. Then the public hearing will be held at the first meeting in June when Council will vote on approving the fiscal year 2011-12 budget.

Last week, internal budget hearings requests were held, where department priorities were identified. We will have additional meetings to redefine the requests submitted to be able to present balanced budget options.

Currently, the City operates with \$44.7 million of expenses; \$41.3 million in revenues with a \$3.4 million anticipated variance and an anticipated deficit of \$2.1 million.

Mr. Hughes continued noting that discretionary revenue sharing was eliminated in the State's proposed budget. We are awaiting the Federal Government information on our CDBG funding allocation; noting that this year we received \$1.1 million in these funds. If there is a decrease as proposed, it would affect our road reconstruction programs that were used to fund this program.

Governor Snyder will announce in Grand Rapids this week, his incentive programs available to municipalities who shared services and the criteria needed to receive these funds. Hopefully, the City's consolidation of dispatch services and transfer of our 11 dispatchers to SERESA will qualify the City for this incentive program's criteria.

No matter what level of government we are in, we all feel that ours is the most important. Our task is to set the budget each year, and to see where we can cut back as well as making the long-term permanent cuts. The options of "picking the low hanging fruit" items were removed in last year's budget when we decreased our operating budget by \$7 million. We anticipated this downward economic trend and have downsized staff to 253 employees today from 271 several years ago.

Pension costs, OPEB costs, insurance costs and utility costs continue to rise and our discretionary areas where we can make cuts have shrunk. We need to determine how much to cut in spending, from what areas, and what revenue increases Council would like to see.

Mr. Hughes noted that each department was assigned the task of doing a comparative study with the same 12

REVIEW AND DISCUSSION OF FISCAL YEAR 2011-2012 continued

municipalities to review services and fees charged. The purpose was to see where the City fared with our comparables and to identify possible areas to generate additional revenues. The materials presented would generate an additional \$715,057 in revenue.

Mayor Hison stated that the Auditors indicated at the last budget workshop that the City's fee structures for some services were not meeting the expenses, and they would need to be reviewed. We need to remain competitive to be able to provide services while not pricing us out of the market.

Mr. Hughes stated the goal of the new fee structures, was not to put us at the top but to put us in the average. All of our department directors recognize that putting our fee structures at the top of the scale would put us at a disadvantage. In many cases we are in the bottom 1/3 quartile. If the desire is to not raise mills, but to raise our revenue generated by user fees these are the areas we have identified to do so.

Revenue Generation

City Clerk – SAD Revenue - Ms. Kotowski noted that currently we do not charge any fees for Canal Dredging Special Assessment Districts (SAD) where there are substantial costs incurred by the City for publications, mailings and staff time. There are two public hearings required for these residential canal dredging projects, petition signatures verification, 4 notices in the newspapers, mailings to the district with an average cost without staff time of \$1,000. Once the district is approved, then there are the Finance and Assessing Departments' costs for mailing out the bills, tracking the payments, monitoring the receipt of payments, and review of payment invoices. Between the required publication, notice costs and the staff time, the City incurs a conservative of \$2,300 per SAD. In the last 10 years, we have done 14 SADs, with one district having done 4 separate dredgings.

Police Department – Accident Recovery Program - Chief Walleman stated the accident recovery program is an opportunity for a municipality to charge a fee to the at-fault drivers for accidents in our jurisdiction. The estimated revenue generation would be \$425,000 with a per incident recovery of \$300.

Public Act 31 of 1951 gives us the authority to recover the costs of processing the accidents for costs incurred; billing the at-fault party's insurance company. The caveat we can utilize if the at-fault party is a resident and their insurance does not reimburse the cost, is they are exempt as they are already paying for these services in their taxes.

If the at-fault party does not reside in the City, then they could be held liable for the fee, if their insurance company does not pay.

There is a cost recovery corporation who would handle this entire process. They bill the insurance, obtain the collection and send us the fee.

There were 1,450 traffic accidents last year; with the average fee of \$300 per accident. The anticipated revenue could be \$425,000.

Mr. Hughes noted that insurance companies are becoming more aggressive in the collection of these fees. The City of Center Line does this and they charge a \$250 flat fee. The Cost Recovery Corporation figures the recovery amounts to charge.

Chief Walleman noted that they had selected the average cost that would be assessed.

Mayor Hison asked from the number of accidents this year how many at-faults were St. Clair Shores residents whose insurance would be charged.

Mr. Smith noted that the billing company would have statistics on the percentage of insurance companies who are reimbursing for these costs. If we use insurance numbers, we will have a good figure on proposed revenues and costs to at-fault drivers.

Ms. Rusie cautioned the use of this program as there have been successful court challenges in the Wayne County Circuit Court.

Administration will provide Council the percentage of insurance companies that reimburse this fee and find an actual cost recovery fee to be charged as well.

Revenue Generation - continued

Mr. Hughes asked if there was any opposition to pursuing the Cost Recovery on accidents program.

Mr. Walby stated he was opposed and questioned how many communities in Macomb County are doing this. Chief Walleman responded that 2 in Macomb County and many around the state have enacted this program. He stated he would like to mention that cost recovery is a part of doing business as these things (cost recovery fees) are happening to us. When we subpoena phone records, there is a bill for the records secured as well as medical records fees. These service providers are passing on the costs to us. The accident cost recovery would be the same thing and it is legal to do so.

Mr. Frederick questioned if the calculation includes hazmat cleanups and if DPW comes out.

Chief Walleman noted that any incident is considered a crash, so those would be included. They would consider consolidation of this process with the ambulance recovery program and the possible use of the same firm.

Mr. Rubino stated his first concern is that the insurance companies are some of the smartest companies in the world and they are going to decline every claim. If they pay these claims they would raise their rates, so this will ultimately cost our taxpayers more each year.

Chief Walleman responded that if you are at-fault in an accident today, your insurance rates are going up. A 0.9% increase is miniscule in their rate structure, which is how the individual is punished by their insurance company.

Mr. Hughes stated that they would further evaluate projected revenue, refine it and draft the required City ordinance for this program.

Mr. Rubello asked what does it cost the City to not do this. Chief Walleman stated that the chart statistics show the number of staff used, their time, and supplies, which is all eligible for reimbursement, under this program.

Mr. Hughes noted there are different philosophical debates on this issue. The cost for the operation of the Police and Fire Department is 90% of our budget. There are certain segments of their services that are of significant benefit to the person using the service. So the costs incurred to the City under the user fee philosophy should be charged to the user and reimbursed to the City.

Mayor Hison noted that the Governor's suggestion to municipalities is to merge Police and Fire Departments into public safety. He noted he was totally against this; it will not help St. Clair Shores. It is like using a dentist for your surgery. Knowing that this philosophy is out there, this proposal is a way to recoup some of the expenses we incur.

Mr. Hughes stated we are saving \$250,000 annually by consolidating 911 services. He noted that the next functions to be merged being investigated are contracting with Roseville for signs; contracting with other municipalities or private corporations for other services.

The Police and Fire Departments are the next big ticket items; so could it be the "Southeast Macomb County Fire Department" by the merging of St. Clair Shores, Roseville, Harper Woods Departments.

Mayor Hison noted that we did a review with fire departments in the county for this merger. What we found was we were in the position with the best new ALS equipment, etc.; others were not, so we decided it was not a good time to do this.

Mr. Rubello asked how building inspections are being done with staff retirements.

Mr. Rayes responded that we are currently contracting with Roseville and PMI; so all inspections are contracted out.

Mr. Rubello asked about consolidation of animal services with other cities as it is done by Oakland County.

Chief Walleman noted that they have been talking to private facilities to assist us for after hour services. We are reviewing possible mergers.

Mr. Rubello noted that if we get one half of revenue with the accident cost recovery program, we can reduce some of the budget deficit.

Mr. Hughes responded that \$500,000 in new revenue would take the \$2.1million deficit down to \$1.6 million.

Revenue Generation - continued

Fire Department – Chief Morehouse proposed new revenues of \$165,615 by charging for inspections and plan reviews that they currently do not charge for.

Mayor Hison question how the proposed fee of \$86 was derived with no current fee structure on these services.

Chief Morehouse stated the \$86 was the lowest one of our survey communities, and we did not want to be higher. We do not want to have a user fee cost prohibitive so that that the residents will not pull the permits.

Mayor Hison stated that in our budget the taxpayers have been paying for these services, instead of the user. We should have looked at this a long time ago. He noted that the Self Pay ALS fees were just raised in the last fiscal year.

Chief Morehouse stated that the fee increase for Self Pay ALS recommendation was based on comparables with the 12 municipalities surveyed and we were still at the low end. This new rate would place us at the median level.

Mayor Hison asked if a St. Clair Shores resident uses the service is their insurance company billed for this fee. Mr. Smith noted that this is the maximum amount billable to Medicare. He was not aware of them raising the coverage, so it may be an additional fee for the resident.

Council was asked if they were in favor of the increase to the Self Pay ALS fees and Councilmember Rusie, Walby and Rubino were not in favor.

Mr. Smith noted our intent is to bill the non residents and not the residents.

Mr. Frederick noted that he was not in favor of the new fee for fire suppression systems; used to put out fires.

Mr. Rubino questioned what the plan review fees were for residential and commercial properties. Chief Morehouse responded the fee is just for commercial properties.

Ms. Rusie noted that our current Liquor License inspection application process has a \$2,500 fee.

Community Development - Mr. Hughes noted they have a series of fee increases that can increase revenues of \$29,862.

Mr. Rubello asked whether the number of permits is up or down. Mr. Rayes stated we are even for this year and there are talks about new projects starting as people have been calling about sites.

Mr. Rubino questioned if they were commercial or residential project inquires. Mr. Rayes responded they are both and gave an example of a residential home project for a new hot tub requiring a permit.

Mayor Hison noted that the permit requirements are for the safety of the resident. This insures that their contractor pulls a permit and the work is inspected. It is like an insurance policy for the resident, the inspection insures the project was done correctly.

Mr. Rayes noted that his department gets involved and helps residents who have hired a contractor, paid for the work and there are issues with the work that need corrections. He noted that his department receives calls from insurance companies who call on their insurance claims, and if there were no permits pulled they deny the claims.

Mr. Hughes noted that there are townships in the county that are revenue/expense neutral that showed profits during their growth years. We are now paying \$3,000 out of general fund to subsidy the revenue deficit of this department. CDI is a service generated department where user fees need to cover the costs of providing these services.

Mayor Hison noted that when we talk about these fee increases we need to note it is a \$5 increase for the permit and not the percentage increase as many of our fees have lagged behind our neighboring communities.

Mr. Rubello questioned the idea of consolidation of services. Mr. Rayes noted it was cheaper to privately contract these services; within the next fiscal year our contract (with a fixed fee) with PMI expires and we will bid out all the inspection services.

Mr. Rubino asked if we charge a permit fee for replacement of windows. Mr. Rayes stated the permit fee covers our inspection to insure proper installation.

Revenue Generation – CDI – continued

Mr. Rayes noted he did not propose a true cost model program, like the accident recovery proposal; where code enforcement violations, would be per home/per violation inspection fee.

Mr. Hughes noted at the next City Council meeting there are ordinance amendments to update our requirements with the State Building Code changes.

Parks & Recreation - Mr. Esler noted they are recommending potential revenue increases of \$37,852.

Every year, regardless of the program, the department looks at fees. An example of this is with the St. Clair Shores Baseball League and what we paid the umpires and staff costs. Then we sat down with every group to work on more fundraising. Their goal has always been that for no Parks and Recreation program to lose revenue. There is a 70/30 split on classes with the instructor.

Mayor Hison noted that it is the City of Eastpointe's responsibility to staff the 9 Mile boat ramp. He had correspondence from Mayor Pixley that Eastpointe did not feel they could staff the ramp this year after they looked at the daily revenues. They were not generating enough revenue to cover the staffing costs.

Mr. Esler responded that Eastpointe in the past had allowed any resident to use the ramp. They open it up to everyone to allow Eastpointe to break even at best.

The question was raised whether we would generate additional revenue if we open up the ramp. The expiration of the 5 year agreement with the City of Eastpointe will occur, and Eastpointe had been discussing disbanding their Parks and Recreation department. They would then hope to contract with the City of Roseville.

Mr. Hughes stated that we have asked Eastpointe if they are going to man the 5 years at the 9 Mile boat ramp and their intention of running it in 2011. If we get confirmation in the next 7-10 days we will come back with a recommendation.

Mr. Frederick asked if we talked with Roseville about their residents' use of this ramp. Mr. Hughes responded that we have talked with Roseville and Eastpointe, regarding the opening of our resident only parks.

Mr. Esler noted that Roseville would like to use all 3 boat ramps and the question of resident-only parks always arises. If we were to run the ramp this year instead of Eastpointe, we want to at least break even.

Mr. Rubino stated what if we open the boat ramp to everyone and charge more to non-residents, as it was indicated when Eastpointe manned the ramp they have allowed anyone to launch.

Mr. Smith noted that we use this ramp under a lease agreement with the Macomb County Public Works Commission; so we need to see if this is a viable option.

Mr. Esler noted that when there are events such as tournaments in town we allow participants to launch at the Blossom Heath Boat Ramp.

Mayor Hison agreed that if we pursue this then we need to look at resident and non-resident fees.

Mr. Esler noted that pool pass revenues were good last year, as we lowered the fee last year. Park permits are booking up for the weekends this year. This is a good indication that people are staying home and utilizing our parks and the pool. Our marina occupancy has been down as it is one of the industries directly affected by bad economic times. They went to the boat show to get ideas, and this industry is flat right now.

The pavilion rentals are doing well as all 4 weeks in July are booked. This has been a successful program. Revenue generation should cover the construction cost of the pavilion in the next few years.

Mr. Frederick noted that we may need a few more pavilions in the park.

Library – proposed revenue generations of \$25,260 through fee increases and meeting room rental fees “for profit users.”

Mayor Hison noted that the Library's proposed fee increases are currently being charged throughout the library communities.

Revenue Generation – Library - continued

Mr. Hughes noted that having heard some consensus and some mixed feelings and opposition; we will be moving forward on inclusions of these revenue fee increases in the upcoming budget proposal.

EXPENSE REDUCTIONS - Mr. Hughes noted some big ticket items have been cut to the point that without cuts in some services we may have to lay off employees or not fill positions that come vacant due to retirements. This is the most difficult thing we have to grapple with, the potential service reduction.

We have given you 8 potential reductions and an update on crossing guards \$100,000 expense for this service. He has been successful in meeting with all 3 school districts and presented them with our financial picture and asked that they assume the costs of the crossing guards. All 3 schools said that they are not in a different situation than the City and this is not a budgeted expense they could absorb in their current fiscal year, but they will take it back to their school boards.

Lakeview School District's share would be a smaller amount as they have less crossing guards. He did not hold out hope in the current fiscal year; but possibly in the 2012-13 budget there might be a 50/50 split. As this was just brought to the school districts, they had no time to prepare for this expense in their current fiscal year.

Mayor Hison asked administration in their meetings with schools and municipalities to consider what services we all have in common, as we all do the same activities, to prepare a check list of the various contracts in common to consider additional shared services. If we find common shared services by bidding a larger combined amount we may all be able to benefit in the cost savings. Then we will be prepared to go back to the governor, with areas that we are working on shared services. So it would be an added bonus for us in the state constitutional revenue sharing funding.

Mr. Hughes continued that the school superintendents need to propose this to their school boards. He did not believe they have the financial ability to pay this in the upcoming year. The schools do not dispute the value of crossing guards but noted that the City's Police Department has determined where they are placed; so they may want to sit down with the Police Department and determine the necessity of this service. It was also noted that St. Joan and St. Germaine use these services as well.

Mr. Ihrie commented that our best avenue to consider is legislative reform to allocate the cost burden with a 50/50 split between the school districts and the City; so the responsibility would fall under both.

Mayor Hison noted that we had safety patrols before crossing guards. They were at every corner, at the beginning of the school day, lunch time and at the end of the day. This is how times change and the taxpayers are paying for it.

Mr. Hughes stated he was waiting to hear from the school districts to see if they are not are willing or able to pay this year. At this time, the \$100,000 to fund the crossing guards would remain in the budget.

Mr. Rubello questioned if the County Road Commission would have any liability to pay as Harper is a county road. Mr. Hughes responded that they have no responsibility for the crossing guards.

Mr. Frederick suggested that AAA Insurance be called as they may still participate in a grant program for safety patrol programs.

Mr. Hughes noted that street repairs and reconstructions in the City have different funding sources each year. He gave the following project examples: the Nine Mile Repaving was funded through the Federal Reinvestment in America Act, while Harper Avenue between 13-15 Mile Roads is funded by the State and County, paying the majority of the costs and the City paying a portion; and the Local Residential Streets Program that is funded by the City. As of last week, there was \$750,000 in the general fund for the 2011 street projects.

DPW, CDI and Finance staffs were asked to look at possible options on how we could reduce spending the entire \$750,000 by reviewing what projects could be delayed without the delay causing the repair/replacement costs to be significantly higher. A revised road schedule for 2011 will be provided. We have done a good job on local street repairs; while other communities have significantly cut their program.

Mayor Hison stated that as long as the delay to a street for a year or two does not double the cost for the repair; the postponement could help balance this budget year.

Expense Reductions - continued

Mr. Hughes noted the reduction to this line item is not the streets millage money but general fund dollars. Just as you can postpone an item purchase by doing minor repairs, the same is true for infrastructure.

Mr. Rayes noted the money is from the TIP program for 13 Mile Road and 9 Mile from Harper to the I-94. We are looking to see if we can trade years with another municipality and if we cannot trade years then funds could be lost. We are also looking to see if the County would cover our share knowing that 80% of engineering will be covered by the TIP programs.

Mayor Hison noted that if we ask to delay these road projects we may lose the funds to help pay for the project.

Mr. Rayes confirmed that the TIP program funds are "use it or lose it" dollars and we do not want to lose the funding assistance.

Mayor Hison asked when administration will have a report to Council on the specific projects that we will and will not be able to do.

Mr. Hughes stated that Police Department savings were discussed in the last budget workshop. He would be moving forward with Chief Walleman on this civilianizing one position in the Police Records Bureau. This area has been the nerve center of this department. The proposed budget will include this change with a cost savings of \$38,000 between wages and benefits. The current position held by a uniformed officer would be transferred over to the detectives' bureau. It is a fact that the 65 patrol officers will drop to 64.

Ms. Rusie questioned when you began to research this item and who asked you to research this item. We know how people walk away from the budget workshop with just throwing around ideas and they are then considered votes. She felt this was weasel language to change the records bureau name when you were changing the position.

Mr. Hughes responded that he had heard this several times from Council comments over his tenure with the City.

Mr. Rubello asked if there would be any safety reduction to residents with this change in this position. The response was no.

Chief Walleman noted the thought for the civilianized position was for it to be a PEA Union type position and possessing those qualifications of the position.

With regards to the name change of the bureau; the current impression of the Records Bureau is that they are just filing records clerks. That is not true; as a more appropriated name would be Operational Services Bureau; as they are the nerve center of this department.

Ms. Rusie questioned the purpose of changing the name of the department for perception.

Mr. Hughes noted that after 22 years, the Police Department structure of services has changed. Businesses are able to change names direction. The current name no longer reflects the services provided by this bureau.

Mayor Hison commented that he did not look at this as just a name changing but can we fulfill the services with the civilianization of this position and still provide the safety services to our residents. If this can be done with this change, I am in favor of it.

Mr. Frederick asked if we are lowering services to the residents and the number of sworn officers, are we violating Proposal #2 approved by the voters last November. He requested Mr. Ihrie's opinion on this.

Mr. Hughes noted that the number of patrol staff would be reduced by one. Services in the records bureau, with the right person being hired, could be done in a way that we will maintain the level of services expected. He could not answer the legal side of this question.

Mr. Ihrie responded that he had not been privy to conversations with the chief, so he could not answer the question regarding the ability of a police officer providing these services versus a civilian. He would have this conversation and report back his findings to Council. He could not think of a situation where there would be an appreciable effect. The Court Administrator may have some input and Prosecuting Attorney in the prosecution of felonies.

Expense Reductions - continued

Mr. Smith commented the issue is how it is done, more than who is doing it. The question is more about is the person following the procedures necessary for prosecution of the case, and maintaining evidence chain of command.

Chief Walleman stated this officer is the property officer who takes in seized items, blood evidence, narcotics and fire arms, which have to be cataloged properly for prosecution. The plan is to remove this officer from the records bureau. The department has had a shortage in the detectives' bureau since 2006, so this officer would be reassigned to this bureau to handle the duties of evidence officer. The new civilian employee will be able to assume that officer's other duties. The Department will still have a sworn officer as an evidence officer.

Mr. Frederick questioned how this is done in other Police Departments. Chief Walleman responded that they have a property officer in the detective bureau. In our City, it has always been in the records bureau. Moving this position to detective bureau will allow better contact with staff and more efficient use of this officer.

Mr. Ihrie noted this is like what we experience in the consolidation of dispatch with other cities using police officers as 911 dispatchers, and now we see they have gone to more civilian dispatchers.

Mr. Hughes noted that the budget submitted will have the reclassification of a civilian position in the record's bureau.

Two other substantial items for the Police Department in discussion were the transfer of the Code Enforcement to the Police Department which would have potential saving; we are still reviewing the operational concerns of this transfer.

Ms. Rusie questioned who asked administration to research these items. Mr. Hughes responded if you are asking that I divulge what I have been asked to research, I would not as this a personal conversation with a Council member.

Mr. Walby responded that it was he and Mr. Rubino who asked for this research to be done. He felt that these changes should be pushed by administration and not by Council.

Mr. Hughes noted he implements policies Council directs, and he implements his recommendations with Council's knowledge and input. He stated that politically it is not easy for these tough decisions and changes to be made.

Ms. Rusie noted that residents don't understand that these duties are administration.

Mr. Hughes stated the message he received when he was hired was for a "fresh look". After 12 months of being here, the cuts that were made prior to some of us being here, have allowed for a \$14 million rainy day fund. We have none of those options left as the cuts have been significant. We are now at the point of a service elimination to cut the budget eliminating staff. As an example, if you wanted to outsource or eliminate the forestry service you would eliminate a staff of 3 people; which would also eliminate the service they provide as part of the snow removal crews.

Potential Reduction in Expenses for FY 2011-2012

1. The closure of the swimming pool for the entire summer = \$150,000

Mr. Rubello stated he was not in favor of closing the pool for the entire summer. Instead, he suggested looking at closing the pool each week on the slowest day.

Mr. Smith noted that once you open the pool is its operation costs, not the staffing of the pool. So closing the pool for one day a week we can find a cost, but the day of use is dependent on the weather. If it is raining, the number is down that day.

Mr. Hughes noted that research showed the cost saving of \$10,000 on postponing opening the pool the second week in June. In reality pools are used when schools are closed. One way to save money is to delay the opening until school is out. Until school is out we don't open except weekends currently.

Mr. Smith stated that based on the proration of this change we could save \$3,000 to \$5,000 by delaying the opening of the pool, as heating the pool in May is more costly. There are some groups that will be turned away with this delay in opening.

If you close the pool year round it would affect the Marina rentals. This year the question is do you postpone the opening a few weeks, to save some costs.

Potential Reduction in Expenses for FY 2011-2012- continued

Mr. Walby noted since this item affects the recreation revenues and there are possible retirements in this budget, what will the net effect be.

Mr. Smith noted there are no early retirements that would affect the recreation revenues. The only retirement is in the Golf Course budget, and those overall cost savings he did not have today.

Mr. Walby noted the loss of \$150,000 in revenues by the pool closing would have an effect on the recreation revenues used to make the bond payments.

Mr. Smith commented we did not talk about retirement incentives with this group as there was a recent retirement.

Mayor Hison noted that in his State of the City Address his comments included that we have a \$14 million rainy day fund and his suggestion was that we look at retaining a reserve of \$6 million in 2014 in the fund. It is raining outside and there is a reserve fund. We have saved and not spent and we should be allowed to use some of these funds, so we can plan for changes and not just cut a service we may not ultimately want to cut.

The auditors say we should have a rainy day fund of 10% -15% of our budget and it can go away very quickly. We need to do both; cost savings and fee increases as proposed by staff. We can reduce \$200,000 from the street projects to help balance the budget. At the same time we need to keep the amenities of the City so we get people to continue to move here. If we keep taking away these services they will not.

There should be a certain amount of the rainy day fund allocated into this year's and next year's budget to balance them and still maintain the rainy day fund. The recommendations from the City Manager are to provide Council with options to reach a decision on the budget approval.

Mr. Rubino commented that he did not disagree with the Mayor's comments. We have to maintain services and increase residential property values. He stated he gets frustrated when he hears to just cut services; when there are ways to save money. He was disappointed that he is not seeing anything outside the box, so there is frustration.

Mr. Walby stated that if this is what the majority of Council wants to do, then we need to come up with a number of what we are going to take out of the rainy day fund.

Mayor Hison noted that various fee increases have been presented and need to be considered for implementation so we can retain services, the next year's budget will be tougher as the property taxable values do not come back for at least 5-6 years to get the revenue losses back. It will be 6-8 years to get the tax values back for City revenues.

Mayor Hison proposed the use of \$1.6 million from the rainy day fund to balance the proposed budget deficit, while maintaining a \$6 million in undesignated fund balance for fiscal year 2014 would remain the goal. This would allow the use of some of the rainy day funds to maintain services, while we continue exploring better/creative/innovative ways to provide services to reach the goal of long term expense reductions.

Mr. Walby stated that if there is a majority of Council today that agrees to use the \$1.6 million from the rainy day fund and there are no services to cut we can go home now.

Mr. Smith questioned what amount is Council comfortable to spend from the rainy day fund to balance the budget.

Mr. Rubello stated he could live with the use of \$1.6 million out of the rainy day fund but also wants to see expenses cut.

Mr. Walby stated he did not agree with the use of the \$1.6 million of the rainy day fund.

Mayor Hison noted this is to get us a budget and we can still look at the next 2 years budgets.

Mr. Hughes indicated the amount needed becomes \$1.4 million with road reduction.

Mayor Hison stated when we sit down to review departmental budgets at the hearings on May 9-10, we will examine cost saving measures.

Potential Reduction in Expenses for FY 2011-2012 - continued

Mr. Frederick noted his concern is we need to be the City; people are attracted to live in. Having the unknown out there such as the pending police arbitration ruling and how it plays out; as well as the contract talks with the firefighters union. He did not want to see what happened in this year's budget hearing, the removal of the majority of the overtime in the fire department budget happen again. Then those employees are considered the "bad guys" when we had to put funds back into that budget to operate.

Mr. Hughes noted that the Police Department budget included \$500,000 to \$600,000 in overtime. The Fire Department overtime budget two years ago was \$482,000. Last year \$848,000 was expensed in Police overtime.

He had previously outlined for you changes and programmatic affects from both of these departments' budget; since the new Chiefs have taken over. At the Monday night meeting the budget amendment will add \$200,000 to the Police Department overtime.

Mr. Rubino asked if the Police Department goes to 12 hour shifts how that affect would overtime costs. Chief Walleman stated it is a significant reduction of their overtime. He cautioned that type of change as he had already taken significant steps to save overtime cost.

Mr. Smith responded the reason you go to 12 hour shifts is to reduce staffing. If you did not have a staffing number and could reduce a position, the key from 8 hours to 12 shift saving is the reduction of staffing so the biggest saving is the benefits cost.

Mr. Rubino asked if the police, like fire, operate with operational overtime. Mr. Smith responded their operational overtime is court time so the 12-hour shifts will not do this. We would save by not needing 3 shift commanders.

Mr. Smith said other cost savings will be from the replacement of the Controller into a defined contribution (DC) plan and other vacant into a DC plan; all of which are not in the proposed \$44.7 million in proposed expenses. We are evaluating how to get the assessing done without hiring another Assessor. The State recently advised the City that we no longer need a level 4 assessor. We are looking at another way to deal with Retiree Health Care with a private vendor and provide that information when we have numbers available.

Mr. Rubino asked what is the negative effect to the residents on the controller position remaining vacant. Mr. Smith responded the effects are our inability of having all the numbers for you today, payroll errors, not having enough people to supervise the people and getting the tax rolls to the county timely. This can be accomplished by hiring a new person at lower cost.

Mr. Frederick asked if we could share an assessor.

Mr. Smith responded we have 2 - level 3 assessors on staff today. We are mandated to reappraise 20% of the roll each year. While the two staff are out doing reappraisals there is no one in the office. As the State has seen that property appraisals have not been done in some portions of Macomb County this year, we expect them to be out in our neighborhood this year. Those communities that did not meet their 20% were required to pay for the state for reappraisals as the cost was approximately \$350,000.

Ms. Rusie asked if there are any services we can outsource, such as payroll, IT and appraisals and not affect our residents' services. She did not think we have looked at these outsourcing of these services. It is raining but its not flooding and we need to review these services options first.

Mr. Hughes stated the following is a listing of items to consider for elimination and or for Council to determine what levels are you comfortable in using the rainy day fund to continue to provide these services.

2. The elimination of the forestry service within DPW (3 layoffs) = \$235,000
3. The reduction of the general fund contribution for street repairs in 2011 could be reduced by approximately \$200,000 (additional information will be provided on Saturday).
4. The transfer of code enforcement personnel to the Police Department = \$316,000
5. The civilianization of 1 uniformed position within the Police Department's Records Bureau = \$38,000
6. Reducing minimum manpower in the Fire Department from 13 to 11 = \$350,000
7. Reducing hours of operation at Senior Center (CDBG funds) = \$180,000

Potential Reduction in Expenses for FY 2011-2012- continued

Ms. Rusie questioned whose idea it was to close the Senior Center. Mr. Smith responded the policy of Council in past years was that this center is to be run on CDBG funding and not general fund money.

Mayor Hison responded that the federal government is proposing in their budget, to reduce CDBG funding by 65%; so taking those numbers and implementing the lost revenue would affect this service. This proposed budget revenue reduction would significantly decrease this department's funding source as the Local Street Program has always taken the majoring of CDBG funds.

The question was raised - if you do this how do we then fund the Senior Center? Seniors utilize the equipment at the center for an annual fee of \$25. For the same service, a business fitness center the fee charges at least \$25 per month.

Mr. Hughes noted the question is does the administration support the reduction of operations and services provided by this department.

Ms. Rusie responded she does not support the reallocation of CDBG funding to fund 3 staff member salaries from CDBG funding instead of funding the operations of the Senior Center.

Mayor Hison asked if our CDBG funding is reduced are you saying you want to continue to allocate the funds to keep the senior center running and reduce services in other areas; is that your direction Ms. Rusie.

Ms. Rusie responded she was not in favor in the reallocation of CDBG funds to cover salaries of other staffing to balance their budget. She did not want to see the reallocation of \$100,000 from the senior center.

8. Eliminating the 18 school crossing guards = \$100,000

Other items for consideration:

1. Possible sale of City-owned Blossom Heath
2. Possible sale of City-owned Golf Course

Ms. Rusie noted it is unwise to sell in the low real estate market.

Mr. Hughes stated TIFA will present a comprehensive Nautical Mile development plan in April at a study session, which will result in a one time infusion of cash.

Mr. Rubello asked if we have explored furlough days, non-paid holidays, and retirement buyouts. Mr. Smith responded we are pursuing these options with all groups.

A question was raised if organizational memberships have been reviewed. Mr. Hughes responded they were and noted how we benefit from these memberships.

If the rainy day fund is depleted will our bond rating go down? Mr. Haney responded if the proposed \$6.6 million is maintained we should be good.

Have shared services been reviewed and how have the outsource/contracted services worked out. Mr. Hughes noted that all the Building Inspections have been contracted out. The consolidated dispatch has worked out with one minor hiccup in December that has been worked out. There are other municipalities looking to possibly join the Dispatch, which will be reviewed so they would pay a portion of the start up costs and their call volume to ensure capacity levels were not affected. We also are meeting with the three school districts to see the feasibility of combined services, purchases, contractors, and insurance.

It may not be to our benefit to consider sharing insurance as we are self insured and adding a bunch of younger folks, will increase our exposure.

Mr. Haney responded we are excellent on workers compensation, and we are currently soliciting bids on insurance and workers compensation policies.

Other items for consideration – continued

Mr. Hughes asked if there was any other discussion on expenses and rainy day fund use.

Ms. Rusie and Mr. Walby were not in favor of use of the rainy day funds to balance the budget.

DISCUSSION OF SNOW REMOVAL POLICIES AND EXPENSES FOR FISCAL YEAR 2011-2012

Mr. Hughes stated the cost to plow and salt residential routes is \$32,950 each occurrence for the 158 miles of streets.

Mr. Babcock stated as of March 15, 2011 our total salt used cost \$139,581. We have salted the main routes 32 times, plowed them 12 times; which cost \$5,315 each occurrence. Plowed the school and fire routes 12 (cost \$2,228) and salted them 6 times. We have plowed the residential streets 2 times, which cost \$18,759 each occurrence.

The idea of proposing to residents that they pay \$1.00 each time we salt and plow the residential street; using the \$33,000 cost estimate; was suggested. Currently we do not salt side streets and current taxes do not include salting of streets. Is it legal to provide this service and charge separately for it?

Mr. Babcock responded if you plow 12 times it would cost \$225,000 to do the residential streets. The cost of having to replace one of the plow trucks earlier due to wear and tear is around \$250,000.

Mr. Smith noted we do not go into the residential streets with salt, as they are neither first nor second for plowing when we declare a snow emergency. If you wanted to include residential streets we would have to increase the number of snow emergencies, so cars are off the street otherwise we will get the calls - now I am snowed in.

Mayor Hison responded that he meant to salt/plow residential streets only when we call a snow emergency. We plowed residential streets this winter in December, January, and February 3 or 4 times. The Grosse Pointes do it all the time but look at their tax rates, they are paying for it.

Mr. Smith noted that this year and last year we did not have salt issues, but three years people could not buy enough salt to cover the need. Even if we could buy enough salt for the season, the salt dome is not capable of holding it.

Mr. Babcock stated that if we salt all the side streets, depleting the salt in storage, and have a storm the next day we then have no salt for main roads.

Mr. Rubello asked if our 6 inch threshold is too high and should it be lower to 4 inches to plow in the residential streets. Mr. Babcock responded they did not track the snow inches so he could not answer this.

Mr. Smith raised the issue so Council would be aware if you want to salt the residential streets; there will issues that trees must be trimmed high enough for the truck bed to clear the branches and there would be more potholes to be filled. The biggest problem is the salt consumption and not getting salt replenished in time to have for the main streets. We use salt everyday for water main breaks.

Mr. Hughes noted that the fleet size is 10 vehicles and their ages range from 1990 to 2000. We are working on a grant to buy another vehicle next year. These old vehicles with more use will wear out sooner, as we currently plowing 27 miles for the main routes, and 40 miles for the school and fire routes each event.

AUDIENCE PARTICIPATION - none

ADJOURNMENT

Motion by Rubino, seconded by Rusie to adjourn the meeting at 11:30 a.m.

Ayes: All – 6
Absent: McFadyen

(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