

**MINUTES  
ST. CLAIR SHORES CITY COUNCIL BUDGET STUDY MEETING  
MONDAY, APRIL 30, 2012**

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

Present: Mayor Walby, Council Members Caron, Frederick, Rubino, Rusie, Tiseo, Vitale

Also Present: Mr. Hughes, Assistant City Manager Smith, City Clerk Kotowski, Directors Babcock, Claeson, Demski, D'Herde, Haney, Koto, Rayes, Schwanger, Fire Chief Morehouse, Police Chief Walleman, Deputy Chief Bowlin, and City Attorney Ihrle

**CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE**

Mayor Walby called the meeting to order at 6:00 p.m. Ms. Kotowski, City Clerk, called the roll with a quorum present. The Pledge of Allegiance was recited by those in attendance.

Mayor Walby explained this is a two day hearing as has been done in the past. He noted that these meetings are televised and tomorrow's budget meeting will start at 6:00 p.m. as well. Directors of each department are asked to present their budget and Council can ask questions and discuss their budgets. Workshops were held recently to assist the directors in creating a balanced budget.

Mayor Walby stated that when he was on Council previously these meetings never seemed that difficult, but now that he is Mayor, he finds it much more stressful. The goal is to try to make the numbers line up better with the private sector. Unfortunately, tax revenues are down more than 9% this year. The City does not have an expense problem, but a revenue problem. In addition, the City took a hit from the Pension Fund with all the retirees this year, but the numbers will turn around as more employees are hired. Mayor Walby noted that there weren't people from the newspapers or television media in the audience, or residents who are upset. He stated that this will be a calm and organized meeting, and we should be proud of what we have done over the years.

Mayor Walby stated the first of two Saturday Study Sessions was held on February 25, and the second on March 24. On June 4, five weeks from tonight, Council will be asked to vote on the budget. The Mayor stated that he wants residents to know that all of the input from Council has helped to balance the budget.

Mr. Hughes explained that operating expenses will be reduced by \$2.6 million. This will reduce operating expenses to \$44.5 mil for the new budget. We are anticipating the budget to be \$39.8 mil for the upcoming budget. The operating budget for 2010 was \$49.3 million. There is a reduction in full time positions by four employees: an Office Manager at the Golf Course, an Assessor (Ms. Socia's former position), a Sign Technician at the DPW, and an Account Clerk 2 in the Library. Staff reductions have been through attrition not layoffs.

Mr. Hughes stated that fiscal year 2011-2012 is the budget year we are in now ending June 30, 2012. Fiscal year 2012-2013 is the budget beginning July 1, 2012. Mr. Hughes stated he wants residents that in the budget books that Mayor and Council have there are exact numbers, but those numbers will be rounded off for this meeting.

**GENERAL FUND REVENUES**

Mr. Hughes presented some opportunities to Council at the March 24<sup>th</sup> Budget Workshop Session that might assist in reducing the deficit.

1. The proposed budget will be further reduced by approximately \$65,000 in expenses in the operations of the swimming pool and the marina. These changes will not result in any changes to the hours of operation.
2. There is the potential of expense reductions at the Golf Course.
3. The Parks and Recreation Department will once again operate the 9 Mile/Chapaton Boat Ramp. This ramp will be opened to non-residents (\$10 per launch) in 2012. This could generate \$10,000 - \$15,000 in new revenue that is not in the projected budget. As a point of information, this ramp has always been open to both St. Clair Shores and Eastpointe Residents.
4. The Parks and Recreation Department is exploring the possibility of eliminating the paid gate guards at the 9 Mile/Chapaton Ramp and at the Blossom Heath Park. Replacing these positions with volunteers would

**GENERAL FUND REVENUES (Cont'd)**

generate a savings of approximately \$18,000 annually just at the 9 Mile/Chapaton Ramp. But, after further analysis, it was determined that this was not feasible.

5. The Parks & Recreation Department was asked to issue RFP's for the private sector to bid on the following services that are currently performed by City employees: lawn maintenance, athletic field preparation, parks clean-up, parks building clean-up, and snow removal for City facilities. The proposals were opened on April 13, 2012. We received two responses for grass maintenance and one for all of the services. It was determined that these services are less expensive if they are performed by in-house employees, rather than the private sector. Mr. Hughes recommended that we not have privatization these City services.
6. The Department of Community Services has already issued multiple RFP's for privatized service contracts that are due to expire this June (lot clean-ups, sidewalk snow removal, building inspections, electrical inspections, etc.). It is possible that this competitive process will result in general fund expense reductions within this department. Mr. Hughes added that if the numbers come back favorable, a first quarter amendment to the budget will be issued.
7. The proposed budget includes approximately \$500,000 in anticipated insurance claims liability. These claims are being reviewed and it is possible that as in all recent years, this \$500,000 could be reduced by approximately \$250,000 in fiscal year 2012-1013. After review with Risk Management, it was determined that this amount should be left at \$500,000.
8. The City is researching the potential of refinancing the Recreation Revenue Bond related to the boat marina behind City Hall. This would further reduce the general fund expenses.

Mr. Hughes explained some steps that are being taken to balance the General Fund Budget. Some of the steps are structural changes that will occur each year. Other steps will be done as a one-time change only.

✓ DLEF contribution to purchase police cars (structural)	170,000
✓ Reduction in vehicle rent to Motor Pool (one time only)	200,000
✓ Increased TIFA Administrative charge (one time only)	200,000
✓ Reduced Recreation revenue contribution from general fund (structural)	210,000
✓ Constitutional sales tax increase (based on State of Michigan projection) (structural)	500,000
✓ Police overtime maintained at current level (structural)	125,000
✓ MMRMA dividend revenue expected to increase – will recommend 2-year contract	122,000
✓ Insurance revenues expected to be carried over from previous fiscal year 2012 (one time only)	500,000
✓ Required contribution to Streets fund less than anticipated (one time only)	200,000
✓ Increase in General Pension contribution per Actuary Report received 04/17/12	(165,810)
✓ Reallocation of personnel resulting from Parks RFP process	50,000
✓ Changes in various revenue and expenditure line items <100k	(222,623)

These changes will leave an estimated amount of \$811,433 structural deficit that administration is recommending to be funded from the rainy day fund.

Mr. Hughes displayed a bar graph of the rainy day fund of St. Clair Shores and other surrounding communities. Mr. Smith stated that as part of this year's budget, Eastpointe claims that 27% of their expenditures will be covered by their rainy day fund.

Mr. Hughes advised they will soon be updating the 5-year forecast. He anticipates revenue and expenditure trends. There will also be health insurance and pension contribution changes. There is also potentially another year of property values declining. Mr. Hughes explained that when a budget is approved in June, it doesn't stop there. The budget is reviewed all the time. This year we are trying to be conservative on revenues, and we are confident that we can shave another 3% variance. Fiscal year 2014 will be a challenge, but this year department heads have stepped up to the task and contributed to the variances.

Mr. Rubino asked if the future estimates include removing millage's that will expire by then. Mr. Smith replied it would.

Ms. Rusie asked if the steps used to balance the budget were only for one year or more. Mr. Haney replied a little bit of both.

### **GENERAL FUND REVENUES (Cont'd)**

Mr. Caron noted there is a 3% estimated savings from expenditures. Mr. Hughes replied there have been changes since the budget was printed.

Mr. Caron indicated that business licenses are over half a year through, but the line item is same. Some items are over budget, but some line items were kept the same.

Mr. Smith replied we are overly pessimistic when it comes to revenue. Ambulance fees, building permits, rental inspections – the revenue is dependent on the circumstances at the time.

Mr. Hughes stated that the 3% budget reduction is not just a reduction in expenses. Mr. Claeson added that things tend to balance with the general licenses and permits. The variation is not that great.

Mr. Haney added that the loss of property tax revenue is more than 9%. It's a challenge every year.

### **FIRE**

Mr. Hughes stated that almost every department budget includes their series of accomplishments and goals that are turned in to Council every year prior to budget. City Council can question at this meeting about them, but they will not be read by the department heads tonight.

Mr. Hughes discussed wages and salaries and advised that the department staff remains unchanged. Because of their contract, there is a \$179,000 decrease in their budget. Also, the overtime charges essentially remain unchanged. Operating supplies and repairs and maintenance had some reduction.

Fire Chief Morehouse stated they worked diligently to decrease the Fire Department budget, and it is not reduced by big numbers, but it is a work in progress. He added they are trying to be creative in finding ways to assist the City.

Mr. Caron questioned that with the two grants that we accepted, how do we account for them for additional revenue? Mr. Haney replied that they are in the current budget's fiscal year.

Mr. Rubino stated that incident responses over the years have increased, trends are increasing, and hospital transports are up. He asked if they have tried to project numbers based on demographics. Chief Morehouse replied that the numbers fluctuate. You could take a trend over the last 3-4 years and average it out. When times get tough, the Fire Department is busier. The stressors of life affect people differently.

Mr. Hughes stated that he doesn't see the trend decreasing. Roseville and Eastpointe have a declining capacity in responding to calls.

### **POLICE & DLEF**

Mr. Hughes explained that there is approximately \$89,000 in reduction next year at the Police Department. All uniform patrol and command officers, with the exception of the Chief of Police and Deputy Chief, will be receiving a 2% increase in pay July 1, 2012.

Mr. Hughes stated that there have been some high profile arrests recently, and everyone is working well together. In addition, there have been several new hires at the Police Department.

Chief Walleman explained that there has been a lot of reorganization at the Police Department with the early retirement buyouts offered earlier. Since then, all positions have been filled with the exception of one. The last officer will be sworn in on May 14, 2012. There is only one more position to be filled.

Chief Walleman stated that the Field Training Officers have been doing an outstanding job. There were three officers hired recently that had previous experience. This helped with manpower issues. There have been some significant arrests within the last few months and he stated he is very proud of the men and women of the department. In addition, the new command officers are doing good mentoring.

Mr. Rubino asked about expanding early retirement to the police officers and asked if the Chief had any idea of how long it will take to get situated.

Chief Walleman explained that the FTO Program takes three months. The veteran officers are always a plus. There is only one position left to fill. It has been a long time since the department has been at full compliment.

## **POLICE & DLEF (Cont'd)**

Mr. Hughes stated it is his hope to begin informal discussions with the patrol unit soon after the budget is adopted.

Mr. Rubino asked if the government is becoming more lenient in the way the DLEF money can be used. The Chief replied that state guidelines have lowered a bit, but the federal have stayed the same. He is utilizing the DLEF funds for the Emergency Response Team, K-9's, outfitting the undercover vehicles, and narcotics. The restrictions have been loosened quite a bit.

Mr. Rubino asked if working 12-hour shifts had been looked into. Chief Walleman replied that topic has been on the back burner due to everything else that has been going on. But the 12 hour shifts would allow us to move personnel around a little easier, but that also comes with additional expense. It is still an option, but with all of the changes going on now, he would like to finish getting the whole department together first.

Mr. Caron noted that there is an increase in our payment to SERESA. Their budget is 18% higher than it was last year. Mr. Hughes replied that it is, and they have added one dispatcher. The cost is determined by call volume, and he remains hopeful that another city will join SERESA within the next 12 months. The Grosse Pointe communities and Fraser are showing interest.

It was noted that utilities were reduced across the board. Mr. Haney replied earlier this year we bid out natural gas and the cost was reduced.

Ms. Rusie asked if the 18 dispatchers that SERESA hired were servicing St. Clair Shores. Mr. Hughes replied that they are trying to convert from 3 radio channels down to 2, and the division is not by city, but by software. CLEMIS is the software that Police use, and Visionaire is used for Fire. There is a blend of increased call volume and expenses.

Mr. Vitale stated he is seeing a higher call volume, and asked if calls are broken down by emergency versus a non-emergency. Mr. Smith replied it shows up as just a call for service. He added that when someone calling 911 counts toward our call volume. The non-emergency police number is 445-5300.

Mr. Frederick asked if the Fire Department puts money toward Dispatch. Mr. Hughes replied they do not. Dispatch services have always been located only in the Police Department budget.

Mr. Hughes advised there are 18 dispatchers are supplemented by 5 supervisors. In total, there are 23 people able to accommodate incoming calls.

Mr. Hughes explained that when the Police Department makes arrests of drug dealers, we are allowed to seize property. This Department is doing an outstanding job. Mr. Hughes added that maybe we can come back next year asking to fund vehicles out of this fund. This fund helps us reduce other expenses. Mr. Smith added that this is the first year we are using DLEF funds to purchase patrol cars.

Mr. Hughes added that we have an officer assigned to our regional drug task force. If an arrest is made out of our City, we still get a portion of that money.

Mr. Caron asked what falls under the miscellaneous expense line item. Chief Walleman replied that cell phones, outside training, certain furniture for narcotics, dog training, vet bills. Mr. Caron asked to see those line items documented.

Ms. Rusie added that documenting those items would help residents know where the money is going.

## **COMMUNITY SERVICES**

Mr. Hughes stated that the next fiscal year proposes \$213,000 mil less than the one we are in now. Much of those savings are coming from Account #930 – Repairs and Maintenance.

Mr. Hughes explained that there are a total of four positions that Community Services had in 2010 that don't exist now. Those positions were the Chief Building Official, Electrical Inspector, Assistant Engineer, and Supervisor of Code Enforcement Services.

### **COMMUNITY SERVICES (Cont'd)**

Mr. Rayes stated that in nine months this fiscal year and last year, demolitions went from 29 to 40. The Rental Inspection Program is now serviced through a contract with Roseville. Last year we had 378, and this year we have 664. More revenue was generated in the Rental Inspection Program, and the demolition amount increased. In addition, the grass cutting program and rodent enforcement program also increased.

Mr. Vitale asked that with the increased number of demolitions in our City, is there an opportunity to train other cities in the homes that are being demolished and charge them for the training? Mr. Rayes replied that if the City owns the property, then we can do that. If the home belongs to a resident, we cannot. Mr. Smith added that training doesn't decrease our demolition costs. We will explore the possibility of charging for training in a City owned home that is being demolished. Mr. Rayes added that building inspections, mechanical and electrical inspections, and plumbing inspections in rentals will be bid out this year.

Ms. Rusie asked if Detroit Edison was replacing LED street lights in the north end of the City. Mr. Rayes replied the program is completed, and 908 total fixtures in the City were replaced.

### **INFORMATION SYSTEMS**

Mr. Hughes stated that Information Systems has two full time employees and one privatized person that the City pays.

Mr. Hughes stated that there is a \$32,000 savings in this budget. Most of the savings is in Operating (Account #750), and some in Repairs & Maintenance (Account #930).

Mr. Corless stated he would like to see a proposal sometime soon on rehabbing the City's website. One option to cover the cost would be to take it out of the Computer Replacement Account.

Mr. Corless stated nothing has been added to this budget in 14 years. There is talk about a new email server, and the archiving system is coming along. There is also a bid out on MITN to redo the City's website. The bid went out to 390 companies, and has been viewed by 47 so far.

### **DPW ADMINISTRATION**

Mr. Hughes explained that with the exception of Motor Pool, every budget is not in the general fund. In this department, Director Babcock's position is included. This whole department consists of 31 full time employees and 7 seasonal employees.

### **SANITATION**

Mr. Hughes advised that this department has one supervisor, two laborers, as well as seasonal employees. Mr. Smith added that there are zero full time employees being charged to this fund.

Mr. Babcock noted there is a small increase in overtime. Mr. Hughes explained that water and sewer breaks will tie back into this overtime.

Mayor Walby stated that St. Clair Shores, Roseville and Eastpointe trash contracts all end at the same time, and asked if we should all bid out together at the same time. He added our original budget from last year is \$50,000.

Mr. Vitale stated that the DPW has been known to have to do a trash pick up. When a special trash pick-up is utilized, the resident is billed. He asked where the money goes. Mr. Babcock replied it is usually the contractor that does the billing. Mr. Hughes added that if someone violates an ordinance, they are sent out and the resident is then billed.

### **WATER**

Mr. Babcock stated this department has 10 laborers and 3 clerical employees. They have 26,000 customers and 1,750 fire hydrants. Presently, water main breaks are down significantly due to the nicer weather over the winter. They are also operating the tank which has leveled the operating pressure. Mr. Babcock added that they have a number of vehicles that are aged and have many miles on them, but he has narrowed down the vehicles that have to be replaced.

Mr. Hughes advised he has authorized the purchase of some dump trucks in this budget, but did not authorize pick ups. The Water Department is trying to get the most out of these vehicles.

### **WATER (Cont'd)**

Mr. Rubino asked if the City has ever looked at leasing vehicles instead of buying. Mr. Babcock replied that because of how long we keep these vehicles, it would not be a savings. Mr. Rubino asked how long we have to wait to get a payback on the 10 Mile water tank. Mr. Babcock replied they tracked it through the summer and have seen a significant savings. Some improvements need to be made, but by Christmas, there will be a great presentation to show you with the savings.

Mr. Rubino stated that we had only 1/3 of the water breaks that we usually have. Some of the reason might be because of the mild winter.

Mr. Smith stated that when the south end was disconnected and there was an interruption in service from the north end, the tank helped.

Mr. Hughes stated the purchase of water meters will be under Account 930 – Repairs and maintenance. The cost for a city wide water meter replacement program is estimated to be \$325,000. This will be on the agenda for the Council Meeting of May 21 to get the opinion of Council.

Mr. Frederick noted there is \$20,000 set aside for the tank and asked if that was for maintenance. Mr. Babcock replied it was along with inspections and chemicals.

Mr. Hughes stated we are exploring the possibility of demolishing the tank. The sale of scrap metal would help pay for other things.

Mr. Rubino asked if we have a lock box banking service. Mr. Haney replied the City uses Comerica Bank where water bill payments can be mailed.

### **SANITARY SEWER**

Mr. Rubino asked why the bill cannot be separated between water and sewer. Mr. Babcock explained that is because of the way we are sold water from Detroit and that is the way we pass along our sewage to Detroit. It is a very complicated issue, and he will look into putting an article in the paper explaining it to residents.

### **STORM SEWER**

Mr. Babcock stated St. Clair Shores has over 200 miles of storm sewer and 42 storm water pumps to maintain. Alger pump is the largest.

### **WATER & SEWER RATES**

Mr. Haney compared the costs of the last three budgets. The water and sewer rates are dependent on how much water is bought and sold.

Mr. Babcock stated water losses have been around 15 percent. They have been down as low as single digits at times. The 100<sup>th</sup> leak in a storm sewer was found last months.

Mr. Caron stated we are working with the Detroit Water System Administrator and asked how discussions were going with them to reduce our overhead.

Mr. Hughes stated she is looking at staff reductions through attrition, and deferring long term maintenance.

### **MOTOR POOL**

Mr. Babcock explained there are two mechanics in this department to maintain over 200 vehicles and equipment. There is money under capitol expense for a vehicle lift. There are two original lifts from the 1960's that are maintained. There is another lift from 1982 that needs to be replaced.

Mr. Vitale asked about recycling oil and antifreeze. Mr. Babcock stated they sell oil, antifreeze and batteries.

Mr. Frederick asked how the Zamboni's were and what the life expectancy was. Mr. Babcock replied parts and maintenance are getting more and more expensive.

Mr. Caron stated gasoline and diesel fuel is the most expensive line item, and asked if we do bulk purchasing. Mr. Babcock stated we belong to a consortium and pay a spot rate.

## **STREETS**

Mr. Babcock explained this department has four laborers and one clerical employee. This department encompasses plowing, salting and filling potholes. Forestry handles the trimming and removing of trees. In addition, they are updating all street signs as required to meet federal standards. This department is also responsible for maintaining City properties with regard to grass cutting and debris pickup.

Mr. Babcock stated they used 650 tons of salt this year. Because the weather was so mild, they were able to do a lot more forestry work. Over 1,000 trees were trimmed and 100 dead or diseased trees were removed. They also have a contract with a tree service which is expiring soon. Mr. Babcock would like to extend their contract and will discuss this at the May 21, 2012 Council Meeting.

Mr. Frederick suggested looking into the City having a tree nursery.

Mr. Tiseo asked about the Sign Replacement Program. Mr. Babcock stated the Federal Highway Authority put a law in place based on retro-reflectivity of signs.

Mr. Hughes stated that by the year 2018, there will be uniformity on street signs across the United States based on an administrative rule from the Federal Department of Transportation. He added that this will be a burden that most cities cannot afford. Mr. Babcock stated he is trying to obtain a sample of a sign to everyone can see what they look like.

Mr. Caron stated there is an item of \$545,000 under overhead and asked what it was for. Mr. Babcock replied that is administrative charges from the General fund.

Mr. Caron stated there is \$100,000 listed for salt and asked if this is based on a certain amount or are we undercutting ourselves. Mr. Babcock replied this is a safe estimate because there is also salt to carryover from this year.

## **COUNCIL**

Mr. Hughes stated this is the first full budget to reflect the 5% wage concessions that Mayor and City Council have taken.

Mayor Walby asked to obtain more details regarding the DLEF fund and spending.

The budget needs to reflect Sidewalk District #1. .

Council asked if the property tax revenue is based off current assessment. Mr. Haney replied it was.

## **AUDIENCE PARTICIPATION**

Patrick Biange, resident of St. Clair Shores, spoke regarding the new hires at the Police Department.

## **ADJOURNMENT**

**Motion by Rubino, seconded by Frederick to adjourn the meeting at 9:01 p.m.**

Ayes: All - 7

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KIP C. WALBY  
Mayor

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MARY A. KOTOWSKI  
City Clerk

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