

City of Northville
CITY COUNCIL SPECIAL MEETING MINUTES
April 7, 2016

Mayor Roth called the meeting to order at 7:00 p.m. in the Northville City Hall Council Chambers, 215 West Main Street, Northville, Michigan, 48167.

CALL TO ORDER

Present: Mayor Ken Roth, Mayor Pro Tem James Allen, Councilmembers Nancy Darga, Sam Ekong, and Marilyn Price

Absent: None

Also Present: City Manager Patrick Sullivan, Finance Director/Treasurer Sandi Wiktorowski, City Clerk Dianne Massa, Accountant Nancy Piwowar, Fire Chief Stephen Ott, Police Chief Michael Carlson, Assessor Karolynn Pargo, and Director of Public Works James Gallogly. No citizens were present.

PRESENTATIONS

A. Citizen Comments None

APPROVAL OF AGENDA

Motion Allen, seconded by Ekong to approve the agenda as presented. **Motion carried unanimously.**

FY 2016-2017 BUDGET REVIEW

Budget Message and Overview (I-1 through I-13)

The City Manager noted the FY2017 budget message was detailed on pages I-1 through I-13. The Northville City Council is being presented with a stable, consistent, and balanced budget. It was pointed out that the budget does not cover the following items:

- Investments on Infrastructure:
 - o Approximately an additional \$750,000 annually is needed to gradually improve the street system. This is based on a 2013 street study.
 - o Water and sewer reliability study is done every five years as required by the State. It is recommended that watermains be replaced when a road is reconstructed. This infrastructure improvement is necessary to improve an aging water system.
- Sewer capacity agreement: City will soon need to contribute approximately \$2M to Wayne County as part of an agreement to address wet weather basin capacity.
- Community-wide discussion needed to address street improvement funding problems.

- It was suggested that in the next 60 days, a Utility Committee be organized with the task of discussing funding options, such as Headlee Override, Bonding, Special Assessment Districts, or a combination of all of these.
- Within the next two years, the City will reach its Headlee max. This is a threat to the General Fund. Requesting a Headlee Override should be considered.

Discussion noted that a comprehensive communications plan is needed to evaluate and communicate what has been done and what needs to be improved. Public communication and education is key.

Assessment Cycle and Tax Base Analysis (Section X)

Detailed property tax analysis was included in the budget document. Explanation of the Headlee Amendment, Proposal A, and the factors that determine Taxable Value were provided. The March Board of Review received a total of 28 appeals. Assessed value has increased 8.27% from 2015 while taxable value has increased 2.90%. Taxable value is still 5% lower than in 2007. With the Headlee Roll Back Formula, the City Charter authorized maximum millage rate of 20 mills has been rolled back to 13.9098 mills for the 2016 tax year. This is a reduction from 14.0902 mills in the prior year. Sales data was also reviewed.

Discussion and questions pertained to the small business exemption for personal property, how the assessor categorizes commercial and industrial use properties; how Headlee is affected by redeveloped property and new construction; how uncapped property affects the overall millage rate; the rate of inflation and other variables that might affect Headlee and the City's millage rate; and the need to communicate to the citizens that while assessed value has increased, taxable value has not increased at the same rate as assessed value.

General Fund Summary and Revenues (pages IV-1 - IV-14)

The General Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of City government. The overall proposed General Fund budget reflects a decrease of approximately \$415,000 or 5.53% from last year. This is primarily attributable to the decrease in projected operating transfers to other funds. The taxable values for FY2017 are continuing a slow, upward trend, providing for approximately \$145,000 of additional tax revenue. The proposed budget reflects no change to the general operating millage rate of 13.5864 mills. Most of the cost containment initiative established five years ago will continue and will focus on long-term cost savings. The primary source of General Fund revenue is property tax at 68.1% of total revenue.

General Fund Expenditures (Section IV)

City staff presented a very brief overview of changes and responded to questions from City Council on the proposed FY2017 budget and five year projected budget.

The following was noted:

- A common theme that will be mentioned by Staff is the legacy costs that have increased 8-10% annually. This will be noted through all funds. Retiree healthcare is charged to the Department the retiree worked in, and those increases are 5-10% depending on the plan.
- Minor changes in salaries as the bargaining contracts expire on December 31st.
- Fringe benefits will slightly decrease as the City was able to hold the line for active employee medical costs.
- Michigan Municipal Risk Management Authority (MMRMA), the City's insurer, is estimating a 3% increase in premiums and contributions.

Discussion pertained to how legacy costs are prorated to the specific Departments instead of being rolled into one account in the General Fund. It was explained that in the past, legacy costs were part of the active fringe rate, which overinflated the view of the actual costs. It was determined that creating a line item for legacy costs and allocating the costs to the department worked was a more fair way to represent the cost. This also allows City Council to see the aggregated legacy costs separated as some costs are paid by different funds. Further discussion pertained to the \$145,000 in additional tax revenue and how those funds will be allocated. Explanation was given to the PILOT Program (Payment in Lieu of Taxes). City Council requested that the City Attorney review the legality of the program.

Key items, questions, and discussion included:

City Council (page IV-15): The proposed budget remains consistent with the prior year.

City Manager (page IV-19): The proposed budget increases 8.85% primarily due to the implementation of the City Council's high priority goal of improving communications between the City and the community. It is proposed to contract out this public relations responsibility. Brief discussion ensued pertaining to how this position would be advertised.

City Attorney (page IV-26): Legal services increase by 7.5% due to additional labor attorney fees expected for negotiating contracts expiring on December 31, 2016. Discussion pertained to the cost of hourly legal services for general counsel.

Elections (page IV-22): The budget provides for the administration of the August primary and November Presidential elections. The budget does not include funds for additional elections. In compliance with the Help America Vote Act, it is expected that the State of Michigan will purchase new voting equipment in 2017. HAVA funds should cover part of the required equipment upgrade and a local funding component will be needed. The State is recommending that local jurisdictions allow for \$2,000-\$3,000 per precinct to be set aside for this upgrade. This amount is included in the budget.

City Clerk (page IV-28): The proposed budget increases 17% over the previous year, primarily due to reallocation of clerical wages to this section of the budget. This was done to more accurately account for where clerical staff works/spends time. Other areas of the budget will reflect an offsetting decrease.

Finance and Administrative Services (page IV-31): The proposed budget increases 11%, which is related to retiree pension and healthcare costs, and wages and fringe benefits. Salary allocations of the clerical staff were analyzed and warranted adjustment. An increase is shown in this and other sections of the budget. Other areas of the budget will reflect an offsetting decrease.

Tax and Assessing (page IV-35): The proposed budget shows a decrease of 14% primarily related to the reallocation of wages of the clerical employee and the Finance Director/Treasurer to other sections of the budget.

Building and Grounds (page IV-39): The budget remains consistent with the previous year. It was explained that Rural Hill Cemetery has only 90 grave sites available to sell. It is estimated that all sites will be sold within the next two to three years. Phase II of the cemetery expansion, which would develop the south portion of the cemetery, is proposed for FY2017. This project is shown in the Public Improvement Fund budget as only the ongoing cemetery maintenance is presented in this section of the budget.

Questions and discussion pertained to annual reassessment of cemetery lot sales fees; continue to review the fee structure of other cemeteries (both private and public) and adjust the City's fees when warranted; perpetual maintenance fees and the suggestion to find other revenue sources (such as endowments, etc.) that could go into the perpetual care fund; as the cemetery is operating at a loss, what is the rationale to expand the cemetery and increase the number of available lots to sell (Staff explained that a local cemetery provides a service to the community); and the need for City Council to take a closer look at the cemetery operations and funding. The DPW Director has performed past cemetery fee schedule comparisons of other cemeteries in the area and will provide this survey of rates to City Council.

Police (page IV-44): The proposed budget increases by 4.66%, related to several factors: inflationary increases for insurance and contracted Township services, rising retiree pension and healthcare costs, promotion testing for the vacation sergeant positions, Staff and Command training, and a new proposed part-time position for administrative support.

Discussion and questions pertained to the sergeant duties and responsibilities. It was noted that the sergeant is assigned to the road. In response to a question about racetrack services and "money guard," it was explained that the Police Department provides a money escort service to the racetrack and would provide this service to any business that requested it. This is considered a "assist citizen" detail, which is a service officers provide if they are not on a priority run.

Fire (page IV-55): The proposed budget increases 2.1% primarily due to the contingency for wage adjustments and other unforeseen expenditures. The proposed budget includes the additional costs for providing fire service to the City of Plymouth. Costs will be reimbursed by the City of Plymouth based upon a pro-rata share of runs in the prior fiscal year. The ratio for FY2017 is set at 59% for Plymouth and 41% for Northville, reflecting a 1% difference from the prior two years.

Questions pertained to the new aerial truck and the number and for what type of calls it has been used.

Technology (page IV-62): The City's website is scheduled to be redesigned in FY2017. The proposed budget has an overall decrease of 23% from the prior budget year, due to investment in capital purchases the prior year. Total expenditures fluctuate year to year due to timing of technology improvements.

Department of Public Works (page IV-64): The proposed budget increases 4.5%, primarily related to the lower winter maintenance required in the parking lots and decks during the winter of 2015/2016. FY2017 is budgeted as a typical winter.

Planning, Zoning, and Inspection Services (page 1V-69): The proposed budget provides for the continuation of contracting Building Official services, building inspections, tree preservation administration, and zoning ordinance administration with Carlisle/Wortman – Code Enforcement Services Division. It also provides for the continuation of contracted services to assist the Planning Commission, Historic District Commission, and the Board of Zoning Appeals. The FY2017 budget increases 17% primarily due to the proposed Historic District survey project. The survey project expenditure is reflected in this budget. The City has applied for a grant to cover 60% of the project costs. The remaining portion would be paid from grant match funds available in the Public Improvement Fund.

Questions and discussion pertained to the increase in the number of inspections, which is tied into the change in Building Official/Inspections services, and are likely attributed to the new Building Inspector and Staff performing more thorough inspections; the cost of Historic District administration services, which pertains to the Staff liaison from Carlisle Wortman to review Historic District Commission application submissions, and the cost and revenue sources for the Historic District Survey project.

Shared Services (page IV-77): The City's contribution levels for Parks and Recreation, Senior Adult Services, and Northville Youth Assistance remains consistent with the prior year at 16.1%.

It was noted that the Township wants to reassess and change the cost-sharing formula as it is a 17-year-old formula. Discussion ensued pertaining to the current cost-sharing formula, demographics of users of the shared services, and what changes to the formula that might be warranted.

Contributions to Other Funds (page IV-79): The activity represents transfers to other funds for operating activities, debt service, and capital equipment and/or project needs.

Debt Service (page IV-81): The City attempts to purchase capital items on a pay-as-you go basis whenever possible. There are no plans to issue any additional debt at this time. The final payment of the installment purchase contract for the aerial fire truck is due on October 1, 2025. The percentage payable by the City of Plymouth will be determined each year according to the run volumes in each calendar year.

Insurance, Central Supplies, and Unallocated Reserves (page IV-84): The proposed budgets are consistent with previous years.

Public Improvement Fund (V-37): Once police and fire service costs at the racetrack have been met, the next \$60,000 is allocated equally to the Police and Fire Equipment Replacement Funds. This additional funding will decrease transfer from, and lessen the burden on the General Fund. Any additional funds received for a given fiscal year will be brought to the City Council to be designated after that year's annual audit is completed.

Fire Equipment and Replacement Fund (page VIII-1): The budget includes revenues and expenditures for future equipment needed based upon partnering with the City of Plymouth. There are no projected purchases from the fund in FY2017.

Police Equipment Replacement Fund (page VIII-4): The budget includes the replacement of two patrol vehicles, six shotguns, five portable radios, and two patrol vehicle radios.

Refuse and Recycling Fund (page V1-1): The fund is divided into two basic programs: residential and commercial. This is an Enterprise Fund, which is designed to be funded entirely by the fees charged to the customers receiving the service.

A Commercial Refuse Program rate adjustment of 9.5% is proposed, with 2.5% of that increase related to the contractual increase. The remaining portion is a direct result of the additional and necessary cleanup efforts performed by DPW staff. The users of the commercial program are not keeping the dumpster areas clean, resulting in \$27,000 in Public Works labor, fringes, and equipment rental to clean the areas every morning.

The residential solid waste collection cost paid to the contractor will increase by 2.5% in FY2017 in accordance to the current contract. The new brush chipping program throughout the residential neighborhoods was contracted out in April 2015. This program provides weekly chipping of branches and tree limbs left by residents at the curb for removal. It was originally estimated this program would cost \$45,000 annually. However, the contract costs are now expected to be \$60,000 annually. The current monthly residential solid waste rate is \$18. It is proposed to increase \$1.51 monthly. \$0.45 is directly related to the contractor increase, \$0.57 is for additional brush chipping program costs, and the remaining \$0.49 is for all other costs with inflationary adjustments.

Discussion and questions pertained to the proposed fee structure for restaurants, which does not seem to take into account the size of the restaurant that might serve a lower volume of food and have a lower volume of solid waste.

Water and Sewer Fund (VI-9): This fund accounts for the operations and maintenance of the City of Northville's water and sewer system. This is an Enterprise Fund and water and sewer fund activities are supported by user fees.

The City of Northville's water supplier is the Great Lakes Water Authority (GLWA). For FY 2017 the charge for water from the City of Detroit is proposed to increase by 5.9%. 60% of that cost is fixed, which means the City is required to pay that portion and it is not dependent on consumption. The budget documents explain the breakdown of the proposed GLWA increase.

Capital improvements of \$225,000 include water main replacements on Walnut Street and S. Wing Street to be completed in conjunction with the related street improvements.

It is proposed that the City increase the water rate from \$6.32 to \$7.41 per unit, effective July 1, 2016. This rate structure is set up to cover the GLWA water costs increases, capital improvements, and increased operation and maintenance costs. The average water bill will increase approximately \$6/monthly.

The service charge is proposed to decrease from \$5.83 to \$3.31 bi-monthly, due to cost savings achieved in the billing process. This revenue is generated to offset the cost of reading the meters and the billing process. That decrease will be offset by a new proposed meter replacement charge of \$2.25 bi-monthly, to begin funding a program to replace meters that are approaching 20 years old. The net effect of these two changes will be cost-neutral to the users.

Wayne County is the provider of sanitary sewer service for the City of Northville. The City of Northville, along with 14 other jurisdictions, is included in what is known as the "Rouge Valley Sewage Disposal System." Staff estimates that Wayne County will increase the fixed rate by 8.5% for sewage disposal effective July 1, 2016. 100% of the cost is fixed, not usage-based.

The City is proposing no increase to the users of the system due to no capital projects planned for FY2017. This rate structure is reviewed annually to cover the Wayne County sewage disposal costs, capital improvements, increased operational costs, and to increase the reserves.

Customer charges for the dual sewer rate per unit will increase from \$3.55 to \$3.79 per unit. This represents an overall reduced sewer rate for water users, which would otherwise be charged the proposed rate of \$5.83 per unit.

Over the past decade, water and sewer rate adjustments were set to match the increases passed on from the City of Detroit and Wayne County. This was a justified business strategy during the downturn in the economy and to smooth out rate increases to the users of the system. However, that has resulted in depleting cash reserves. Beginning with this budget, the rate setting processes will include planned capital improvements, operational cost increases, and building a reserve for future capital improvements. In addition, an operating transfer from the General Fund to this fund is proposed in the amount of cell tower rent revenue received to begin replenishing cash reserves.

The Long-Term Plan notes that the utility is primarily a fixed cost, therefore there has been a shift from strictly commodity-based costs to combined rate of fixed and commodity-based rates by the Great Lakes

Water Authority and Wayne County. City Staff will be exploring the option of establishing all or a portion of the fixed costs as a fixed component on the City's utility bill.

Discussion ensued pertaining to the dual meter program and the reduced sewer rate for dual meter users. The dual meter program users pay a reduced sewer rate and the City is required to subsidize that rate in order to pay the full charge assessed to the City. Staff provided explanation of the programs history. City Council comments suggested the need to evaluate the break on sewer costs for dual meter users and the need to find an equitable solution. Staff will review the dual meter program, and any possible adjustments, and report back to City Council.

COMMUNICATIONS

A. Mayor and Council Communications

Allen reminded that he will not be available for the April 14th budget session.

B. Staff Communications None

There being no further business to come before Council, the meeting was adjourned.

Adjournment: 9:26 p.m.

Respectfully submitted,

Dianne Massa, CMC
City Clerk

Ken Roth
Mayor

Approved as submitted: 5/2/2016