

City of Northville
CITY COUNCIL SPECIAL MEETING MINUTES
April 6, 2017

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 Tom Monchak, 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 2017-2018 BUDGET REVIEW

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

The City Manager noted the FY2018 budget message was detailed on pages I-1 through I-14. 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 investments on infrastructure to address the additional \$750,000 needed annually to gradually improve the street system. Next year, the City is expected to reach its Headlee max, which is a threat to the General Fund. Requesting a Headlee Override should be considered.

Discussion ensued pertaining to infrastructure funding, funding legacy costs, and extension of the refuse and recycling program.

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 20 appeals. Assessed value has increased 5.44% from 2016 while taxable value has increased 3.84%. Taxable value is still 1% lower than in 2008. With the Headlee Roll Back Formula, the City Charter authorized maximum millage rate of 20 mills has been rolled back to 13.5864 mills for the 2017 tax year. This is a reduction from 13.9098 mills in the prior year. Sales data was also reviewed.

Discussion and questions pertained to the small business exemption for personal property, 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 an increase of \$251,000 or 3.58% from last year. This is primarily attributable to wage and fringe benefit adjustments, and increases in the unfunded pension contributions and retiree healthcare costs. The taxable values for FY2018 are continuing a slow, upward trend, providing for approximately \$191,000 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 69% 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 FY2018 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 and fringe benefits costs as the bargaining contracts negotiated were effective January 1, 2017.
- 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. The five-year budget is shown at the reduced millage rate as the current budget rate cannot be levied without a Headlee Override. Explanation was given pertaining to the 35th District Court distributions.

The following Department budgets were reviewed:

City Council (page IV-15): The proposed budget shows a decrease from the prior year.

City Manager (page IV-19): The proposed budget increases 3.9% primarily due to proposed wage and fringe benefit adjustments, unfunded pension contributions, and retiree healthcare.

Communications (page IV-22): The proposed budget decreases 11% due to anticipated lower costs to maintain the website once it has been upgraded to a new platform.

City Attorney (page IV-29): Legal services decrease by 16% due to the additional labor attorney fees needed for negotiating contracts expiring in the prior budget year.

Elections (page IV-25): The budget provides for the administration of the November City election. The budget does not include funds for additional elections. In compliance with the Help America Vote Act, the State of Michigan will purchase new voting equipment in 2017. HAVA funds should cover the new equipment. The cost of a special election was questioned.

City Clerk (page IV-31): The proposed budget increases 6% over the previous year, primarily due to increases in wages and fringe benefits, unfunded pension contributions, and retiree healthcare costs.

Finance and Administrative Services (page IV-34): The proposed budget increases 3.75%, which is related to retiree pension and healthcare costs, and wages and fringe benefits.

Tax and Assessing (page IV-38): The proposed budget shows an increase of 15% primarily related to contracting out assessing services. The contracted assessor costs were discussed.

Building and Grounds (page IV-42): The budget remains consistent with the previous year. It was explained that Rural Hill Cemetery has only 50 grave sites available to sell. It is estimated that all sites will be sold within two years. Phase II of the cemetery expansion, which would develop the south portion of the cemetery, is proposed for FY2018. This project is shown in the Public Improvement Fund budget as only the ongoing cemetery maintenance is presented in this section of the budget.

Comments from City Council questioned if the ongoing cemetery costs were financially feasible. Discussion ensued pertaining to cemetery rates, the cemetery perpetual trust, fixed costs 15 years from now, and seeking alternative mechanism to increase the perpetual care fund. Staff explained that more detailed discussion was planned for the April 13th budget session.

Police (page IV-48): The proposed budget increases by 7.5%, related to wage and fringe benefits adjustments, inflationary increases for insurance and contracted Township services, and rising retiree pension and healthcare costs. An explanation was given on “calls for service.”

Fire (page IV-58): The proposed budget increases 3.3% primarily due to wage adjustments and contingency for 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 FY2018 is set at 56% for Plymouth and 44% for Northville, reflecting a 3% difference from the prior year.

Technology (page IV-65): The proposed budget has an overall decrease of 10% due to the purchase of the Building Department software in the prior year. Total expenditures fluctuate year to year due to timing of technology improvements.

Department of Public Works (page IV-67): The proposed budget increases 4.4% due to increases in wages and fringe benefits, unfunded pension contributions, and retiree healthcare. A comment from Council suggested that the Performance Measure inputs and outputs be updated to more relevant categories, such as “number of streets plowed,” etc.

Planning, Zoning, and Inspection Services (page IV-72): The FY2018 budget increases 11% 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. The City was notified that it was awarded the grant. A grant agreement has not been received.

Shared Services (page IV-80): The City's contribution levels for Parks and Recreation, Senior Adult Services, and Northville Youth Assistance remains consistent with the prior year at 16.2%.

Contributions to Other Funds (page IV-82): The activity represents transfers to other funds for operating activities, debt service, and capital equipment and/or project needs.

Debt Service (page IV-82): 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.

Insurance, Central Supplies, and Unallocated Reserves (page IV-86): The proposed budgets are consistent with previous years.

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 FY2018.

Police Equipment Replacement Fund (page VIII-4): The budget includes the replacement of duty side-arms, in-car camera system, and three patrol rifles.

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%. 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 explains the breakdown of the proposed GLWA increase.

It is proposed that the City increase the water rate to \$9.01 per unit, effective July 1, 2017. This rate structure is set up to cover the GLWA water costs increases, capital improvements, and increased operation and maintenance costs.

The service charge is proposed to increase to \$3.37 bi-monthly. This revenue is generated to offset the cost of reading the meters and the billing process. The meter replacement charge will increase to \$3.70 bi-monthly, to fund a program to replace meters that are approaching 20 years old.

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 9.5% for sewage disposal effective July 1, 2017. 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 FY2018. 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 to \$3.83 per unit. This represents an overall reduced sewer rate for water users, which would otherwise be charged the proposed rate of \$5.98 per unit.

Overall, the average household using ten units of water bi-monthly will see an increase of approximately \$8.12 per month, with the combined water and sewer rate adjustments.

Discussion ensued pertaining to the costs to water users to pay the water bill default by Highland Park, the meter replacement program, and water loss leak detection surveys.

For the April 13th Budget Session, Staff was asked to provide further analysis on the proposed cemetery expansion; Headlee Override and bond issuance options, and legacy costs.

COMMUNICATIONS

A. Mayor and Council Communications None

B. Staff Communications None

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

Adjournment: 8:31 p.m.

Respectfully submitted,

Dianne Massa, CMC
City Clerk

Ken Roth
Mayor

Approved as submitted: 5/1/17