

**City of Northville
CITY COUNCIL
WORK SESSION MINUTES
March 22, 2018**

Mayor Roth called the work session meeting to order at 6:32 p.m. in the Northville City Hall Council Chambers, 215 West Main Street, Northville, Michigan.

CALL TO ORDER/ROLL CALL

Present: Mayor Ken Roth, Mayor Pro Tem Nancy Darga (arrived 7:03p.m.), Councilmembers Sam Ekong, Patrick Giesa, and Marilyn Price

Absent: None

Also

Present: City Manager Patrick Sullivan, City Clerk Dianne Massa, Finance Director/Treasurer Sandi Wiktorowski, Jaymes Vettrains of Vettrains Consulting, John Kaczor of Municipal Analytics, Cheryl Gregory of Spalding DeDecker, and DPW Director Loyd Cureton. No citizens were present.

CITIZEN COMMENTS

None

APPROVAL OF AGENDA

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

In accordance with City Charter, the proposed FY2019 budget document was given to City Council. Budget study sessions are scheduled for 7:00pm on April 5 and April 12, 2018.

FINANCIAL PLANNING CONSULTING SERVICES DRAFT REPORT

On February 8, 2018, the Financial Planning Consulting Services project team of Vettrains Consulting and Municipal Analytics met with City Council to present a project progress report. City Council requested a second meeting where the consultants could present a draft report for Council review and comments.

Jaymes Vettrains from Vettrains Consulting, and John Kaczor from Municipal Analytics were in attendance to present the draft report. The presentation outlined the following:

Scope of work and project process

- Identifying and analyzing significant future capital costs, liabilities, and other expenditures.
- Identifying funding options to meet obligations.

- Develop an Excel-based financial model that integrates identified expenditures and revenue data.
- Develop specific additional data as directed by the City.
- Provide an analysis to assist the City in considering its investment and revenue generating options.

Develop financial model

- Custom model, developed specifically for Northville, in cooperation with City Administration.
- Longer-term financial planning horizon.
- Not a static report.
- Not a budget or a plan – outcomes expected to change.

Review of key findings

- General Fund operating millage.
- Street improvements.
- Pension and other post-employment benefits (OPEB).
- Water and sewer review.
- Use of fund balance, operational review, and capital improvement plan expenditures.
- Parking system.
- Other observations.

Based on the key findings, the consultants outlined several of their recommendations, to be detailed in the final report, as follows:

General Fund Operating Millage

- A Headlee override need is not immediate, but should be approved before the point of critical need.

Council comments noted:

- The importance of determining what to do with the millage rate due to Headlee rollbacks. By FY2022, the Headlee reduction equates to an approximate annual revenue loss of \$250,000.
- Form a Community Advisory Committee to assist in developing the timeline, both based on the financial need and the best time to place the question on the ballot, and to develop a communication plan with voters to inform them of the need and reason for the request. An educational campaign is important.
- Discussion on what language may be legally included in the ballot proposal, and the use of a “no tax increase” statement in the ballot proposal. As there are differing opinions on ballot language content, the City’s bond attorney should be consulted.
- The challenge is what amount to ask for. Voter trust is a must in order to go back to the millage rate allowed by City Charter. Comments suggested asking for .2 mill to keep the millage rate the same and go back to the voters every two years (even year election). Voters might gain trust in the City if it only asks for the amount needed to keep the millage rate the same.

Street Improvements

Invest \$3.5M in addition to the \$500,000 annual investment in street infrastructure. Use the cash reserve in the Street Improvement Fund to reduce the cost of the \$3.5M and ask the voters to approve debt millage for the balance.

(Councilmember Darga arrived during the street improvement recommendation discussion)

Council comments noted:

- 5.7 Overall Condition Index (OCI) is the industry-wide accepted condition index.

- Explanation of why street reconstruction is significantly more expensive than street rehabilitation.
- Data recognizes that milling/capping rehabilitation extends the street's service life. Service life lessens each time rehabilitation is done on the original construction.
- In reviewing the various funding options scenarios, it was questioned why the OIC rating improved for years where no funds were spent. This is due to minor incremental street maintenance.
- Bridge ratings and expected ratings are not part of the engineer's street report. This should be looked at also. Can the Street, Sidewalk, Drainage millage be used for bridges?
- Study should be updated every two years (minimum).
- Ballot measure discussion items focused on:
 - Voter education needed for any ballot measure – target election is November 2018.
 - Maps that show the number of streets and their streets current condition (good, fair, poor) and projected conditions; potential strategies for reconstruction, rehabilitation, and capital preventive maintenance.
 - Suggestion for an informational sheet that includes overall OCI for City, lists all streets and their OCI, reconstruction/rehabilitation strategy, how to respond to questions on when a specific street is scheduled for reconstruction/rehabilitation, and a clear explanation of the amount of money being saved with the chosen funding scenario.
 - Form a citizens' road advisory group so that there is citizen input that fits the repair strategy. A citizens' campaign group is needed to support and advocate any ballot proposal.
 - As street problems are predictable and can be addressed systematically, discussion ensued pertaining to using a significant amount of the Street Fund Balance to substantiate the amount in a ballot proposal.
- Request that the report include a "millage rate" column to show the millage rate and funding if \$500,000 (or other amount) of fund balance was used.
- As the assumption is that poor roads get done first, it was requested the final report include an additional graph to show what happens to all of the roads when money is used to address poor roads.

Pension and Other Post-Employment Benefits (OPEB) Liabilities

Explore the option of using bond proceeds to achieve 90% funded ratio in the pension plan, or a hybrid plan of utilizing interfund loans to increase the funded ratio. Adopt a funding policy for the OPEB trust and consider additional OPEB funding after addressing other financial priorities.

Council comments noted:

- What is the return on investment to residents if the City bonds for pension liability?
- Comments noting that the highest cost to the City is the funding mechanism currently used to fund the pension liability.
- The hybrid model appears to be the most attractive option to address pension and OPEB liabilities.
- Further discussion is needed on the risks and options for pension and OPEB funding.
- Suggestion to borrow \$1M from Cemetery Perpetual Care Fund at the 10-year Treasury rate.

Water and Sewer Review

Adjust water and sewer rates on an annual basis, based on a five-year smoothing calculation to avoid rate spikes. Perform a formal rate study to shift to a commodity/fixed rate to match the variable/fixed costs of the system. Internally finance a "turn-key" water meter replacement program. Move forward with a "turn-key" water meter replacement project.

Council comments noted:

- Discussion on the recommendation to shift to a phased-in fixed rate to match true expenses. Council would like an analysis of different water bill samples before making a rate structure decision.
- Meter replacement will lower the City's overall water loss expense. This can be internally financed. Plan to replace meters should begin now.

Use of Fund Balance, Operational Review, and Capital Improvement Plan Expenditures

Use the fund balance in the Public Improvement Fund to provide inter-fund loan opportunities to fund City priorities (i.e. water meter replacement project). Consider similar strategies for other cash identified in the Water and Sewer Fund, Cemetery Perpetual Care Fund, and General Fund.

Council comments noted:

- Discussion on pros and cons of implementing a City income tax.
- Discussion on strategic uses of Fund Balance.

Review of the Parking System

Consolidate all parking related revenue and expenses into one Fund or sub-fund to develop a comprehensive understanding of the cost and revenue potential of the parking system. Review data to consider a fee-based parking system with particular sensitivity to all stakeholders.

Ten-Year Projection

The City should realize significant savings in its pension plan contribution requirements. If OPEB funding is sufficient, the City would have these savings available to spend on other priorities. Timing of the cost reduction in retiree benefits funding coincides with the final year of the street debt millage. Redirect additional resources to further street improvements to raise the OCI, fund OPEB liabilities, or address future City priorities.

Other Observations

The draft report also included suggestions and/or opportunities for the City to consider, outside of the scope of the project. While some may not be viable, they should be kept in mind for future consideration. These included:

- Fee increase for services.
- Review of cemetery fees.
- Storm water drainage district levy.
- Special event costs and policy to charge event holders a cost recovery fee.
- Use of special assessment to fund public safety and/or infrastructure projects.
- Partnering with a third party for city lighting improvements and energy cost reductions.
- Review opportunities to increase number of partners in the dispatch operation.
- Review the dispatch cost sharing agreement.
- The potential impact of economic development projects was not used in the assumptions as none were close to completion. As the projects come to fruition, the Base Model should be adjusted.
- Evaluation of current and potential debt load.

City Council comments noted this was an informative process. Council needs to review and process the information and determine its next steps. There was consensus that the meter replacement project should be done. A timeline needs to be determined for any ballot proposal for streets if this question is to go on the November 2018 ballot. OPEB and pension liability funding options need further discussion.

The Mayor will present results at the April State of the Community event. A brief presentation of the final report will be done at an upcoming City Council meeting.

Mayor and Council Comments None

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

Adjournment: 9:32 p.m.

Respectfully submitted,

Dianne Massa, CMC
City Clerk

Ken Roth
Mayor

Approved as submitted: 5/7/18