

CITY OF FENTON COUNCIL WORK SESSION PROCEEDINGS
Monday, May 4, 2015
City Hall Conference Room
301 South LeRoy Street
7:30 PM

Mayor Sue Osborn called the meeting to order at 7:33 PM.

Present: Bland, Grossmeyer, Jacob, King (via telephone), Lockwood, McDermott, Osborn.
Absent: None.
Others Present: Lynn Markland, City Manager; Dan Czarnecki, Director of Public Works and Mike Reilly, Building and Zoning Administrator.

CITIZENS COMMENTS – None.

REVIEW FIVE YEAR FINANCIAL PLAN

Markland stated going forward, nothing has been budgeted in the Capital Improvement Fund. In the past, monies were budgeted for road improvements. There isn't enough money for major road projects so the money was left in general fund. He stated the City has lost approximately \$1 million in property tax revenue over the last six to seven years but values have started to recover and there was about a \$47,000 gain in property tax revenue this year. A lot of cuts have been made the last few years including changes to the health care plan as well as employee contributions toward the cost of premiums, which has saved the City a lot of money. He stated while cuts have been made, there are still long term financial concerns mostly related to pension and health care costs which going forward are two major expenses.

Paul Stauder of Stauder, Barch & Associates, Inc. reviewed the City's five year financial plan. He reviewed the charts on page 2 which show the projection of the general fund operating condition and the general fund income statement projection on page 3, noting the items listed in the 'other revenue' line item for 2015/2016 and 2016/2017 are borrowings to purchase equipment for the police and fire departments. He stated revenues overall are projected to be relatively weak moving forward. Expenditures are expected to grow, but not at the pace they have been projected. He reviewed the total net operating expenditures as indicated on page 3 and noted there hasn't been much change from 2009/2010 through 2013/2014 because the City has taken steps to significantly reduce its costs.

Stauder next reviewed pages 4 and 5 stating the current years' budget benefits from a pass-through of \$350,000 of property tax revenue from the DDA and \$175,000 from the LDFA. Based on the assumptions utilized, expenditures are projected to grow at an average annual rate of 3.6% and revenues are expected to increase at a rate of 1.7%. He stated the City has reduced the pace of health care costs from 10% to 6% and increased costs for pension and health care will continue to challenge the City. He stated the projection indicates the City's general fund balance will still be above the policy standard. The City should discuss requesting restoration of its charter millage of 13 mills. He stated the tax base has declined in the past and although assessments are growing at a substantial pace, this year the City is limited to a 1.6% increase in its taxable value. He next

reviewed the graphs on page 8 which show historical revenue and expenditure information and projections through 2019.

Stauder stated tax revenues are expected to increase at a rate of 1.5-2% and state shared revenue is expected to increase by 2.5-3% per year. He reviewed pages 10 and 11 showing the general fund surplus/deficit. He stated costs of employee benefits are an ongoing concern as they are projected to increase at a rate of 6% per year.

Stauder next reviewed data concerning property tax revenues. Revenue is growing but when adjusted for inflation, the trend is flat or slightly declining. He doesn't expect this data to change much in the coming years due to the way the property tax cap works. He stated there has been new business developments within the City but noted most of the tax base growth in the commercial areas is captured by the DDA and LDFA. He next reviewed fund balance data on pages 14 and 15. Assuming the draws on fund equity occur according the projection, general fund will be at approximately 23.62% of revenues at the end of the projection period which is still above the policy requirement of 20% of net operating revenues. Page 16 shows fund balance (including the budget stabilization fund) vs. policy requirements. He stated although there is an anticipated draw on fund balance, the City isn't getting itself into trouble during the next projection period.

The recommendation for fund balance is to maintain the current policy requirements. Stauder stated a street or pension millage or an increase in the charter millage rate are options that could be looked at to help replace lost revenue.

King asked how much revenue has been lost over the last few years. Stauder responded revenue detail is shown on page B-1. There was a decline of approximately \$1 million in property tax revenue between 2009/2010 and 2013/2014. Markland stated there really hasn't been a decline in revenue sharing, rather the state has not given the City its full portion of statutory revenue sharing.

Lockwood stated a decision was made to not transfer money from general fund into the capital improvement fund in the future and asked what those funds had been used for in the past. Markland responded the majority of the money is used for road improvements. Last year, Outer and Vassar Drives were resurfaced. Funds for engineering work and matching grant funds for the Silver Lake Road Bridge project will be paid for out of the capital improvement fund. Lockwood asked if there is still money in the capital improvement fund for the sidewalk program. Markland responded yes, the forecast indicates the City cannot afford to take money from general fund to put towards streets. Stauder referenced page B-10 which shows the history of contributions from general fund to the capital improvement fund.

Bland stated he is concerned that there isn't money in capital improvement for local streets because the streets are in such bad shape and asked if there is any relief from the state in sight. Stauder responded the state will pass on revenue it is constitutionally obligated to share but beyond that, there is very little revenue coming back to local municipalities.

Grossmeyer asked if any municipalities have had success in passing a millage to increase the charter millage rate. Stauder believes there have been successful ones, but that a lot of communities are asking for a millage for streets or pension funding.

Markland stated some communities have bonded for their OPEB obligations. Osborn questioned if this was a good idea.

Stauder responded the risk with capitalizing unfunded pension costs is that the bonds are taxable and a community doesn't know what the long term returns will be.

SEMINARY STRUCTURAL REVIEW

Markland stated the City received the written structural review of the Seminary from consultants Cheryl Early of Fitzpatrick Structural Engineering, Inc. and Brian Black from Historical Restoration Consulting Group. Both agree the building needs to be demolished due to the deteriorated foundation of the entire structure and the poor condition of the interior of the entire building, not just in the area of collapse. Some exterior building items may be salvageable but that depends on the company hired to demolish the building, and the safety and difficulty involved in the work.

Czarnecki reviewed the findings of the structural review and stated the entire foundation and floor are gone and wall beams are missing and there is nothing left inside of the building to salvage. Osborn asked if the building being stripped on the inside led to the weakening of the structure. Czarnecki responded the consultants believe it did. In addition to weakening the structure it led, in part, to the collapse. The consultants suggested moving quickly to take the building down before someone gets hurt.

McDermott asked if the cornerstone could be placed at the museum. Osborn stated Doug Tebo approached her last week and asked if the cornerstone could be placed at Oakwood Cemetery. There is a section of the cemetery where Baptist ministers that once lived in the Seminary are buried and he would like to use the cornerstone as part of a monument.

King asked if the property will be sold and the purchaser would be responsible to demolish the building and then go through the process to rezone and redevelop property or will the City pay for the cost of demolition.

Markland stated not much has been looked into until the structural review was received. He thinks the next step should be to request proposals to demolish the building, make it known that the City wants to preserve the cornerstone, review the proposals once they are received and decide what to do.

Consensus was to move forward with requesting bids for demolition.

FACT GRANT

Markland stated the Fenton, Lake Fenton and Linden School Districts have submitted a grant request for funding to replace obsolete and/or worn out equipment for their video communications classes. These classes assist in providing content for our PEG channel. Funds collected from Charter and AT&T are used, in part, to fund these requests. The FACT Committee has recommended the request be approved and the City's portion is \$59,790.05.

Item will be added to Monday's agenda for action.

AMENDMENT TO CHAPTER 10 (ELECTIONS) OF THE CODE OF ORDINANCES

Wilson stated currently the Charter and Chapter 10 of the code of ordinance indicates nominating petitions are due by 5:00 PM the seventh Monday prior to a general election. State Law indicates petitions must be filed by 4:00 PM the fifteenth Tuesday prior to a general election. This amendment will amend Chapter 10, section 10-2 of the Code of Ordinances to change nominating petition due dates to bring them in line with state law, which is prevailing law. In addition, since the Charter cannot be modified, an Editor's note will be inserted into the Charter to make readers aware that the deadlines listed in the charter are incorrect.

McDermott asked why an ordinance amendment would be necessary if state law is prevailing law. Wilson stated the concern is anyone reading the City's charter and code of ordinances online would be receiving inaccurate information and this is a way to rectify that.

Item will be brought forward to the next Council meeting for a first reading.

COUNCIL MEMBER COMMENTS

McDermott gave an update on the parks clean up that took place this past weekend.

Lockwood asked that anyone attending the Community Center Donor Open House on May 14th to RSVP. She stated there is public open house at the Community Center on May 16th from 10 AM-12 PM. She commented the Community Planting Day is scheduled for May 30th.

Grossmeyer commented it's nice to see progress taking place on the old FARR property.

Osborn thanked everyone who participated in the parks clean up.

CALL TO THE AUDIENCE

Cherie Smith, 200 Union Street, gave an update on the parks cleanup and stated the work is about half finished.

Meeting was adjourned at 8:32 P.M.

Mayor Sue Osborn

City Clerk, Renee Wilson

Date approved: May 26, 2015