

SPECIAL CITY COUNCIL MEETING
September 21, 2009

The Special City Council Meeting was called to order by Mayor Sangster in the Council Chambers in the City Hall at 9:00 a.m. The proceedings were as follows:

Present: Council Members Kopernik, Sangster, VanFleet, Jewell, Couture and Lepp

Absent: Councilman Bronson

Councilwoman Lepp moved to excuse Councilman Bronson. Seconded by Councilman Kopernik. A roll call vote was taken. Motion carried unanimously.

Mayor Sangster stated that the purpose of the Special City Council meeting is to review the Current Budget Revisions and Operation Fund Projections.

Councilman Bronson entered the meeting at 9:05 a.m.

City Manager McNeil stated that the information he provided pertains to State revenue sharing that will impact this budget if it comes to pass. He noted that based on his calculations, the information from the Michigan Municipal League indicates a \$96,280 decrease in revenue sharing from what was received last year. City Manager McNeil explained that the budget that is set up is slightly less than what was received last year and in thinking that revenue sharing would go down some and based on his calculations that could reduce the budgeted amount about \$64,900. City Manager McNeil stated that he budgeted for a \$30,000 loss in revenue sharing and in reality the loss may be closer to \$95,000. He added that based on the most recent estimated revenue sharing payments for the State, the reduction represents approximately 15.6% based on his calculations. City Manager McNeil commented that should be considered over and above other issues that Council may want to discuss. Councilman Jewell referred to the various cuts under consideration by Council and commented that residents do not believe that the City needs to make cuts. Councilman Jewell referred to the reduction in State revenue sharing and questioned potential future cuts. Councilman VanFleet noted that much of the budget is based on assumptions and questioned if there is a number available that indicates how much the City is going to be short and how that shortfall can be addressed. City Manager McNeil explained that within the current budget the tangible number is probably that amount he recommended be set aside to fund future equipment purchases because that may be a remedy for addressing that downward curve in the Operation Fund projection. Councilman VanFleet requested direction on how to address this and whether focus is needed on one area more than another or if a target goal has been identified. Mayor Sangster stated in his opinion that the ultimate goal is continuing the same kind of services that residents are accustomed to and that continuous increasing costs and decreasing revenues are the concerns. He commented on prior discussion that property foreclosure values will not significantly decrease revenue but feels that will be seen at some point in the future. Councilman VanFleet noted planned improvements such as sidewalks, streets and water quality. Councilman Bronson commented on the decreasing property values and laws regarding valuation. Discussion was held regarding the reduction of taxable values. City Manager McNeil commented that the State is now conducting a one year sales study as opposed to a two year study as a result of the dynamics in the real estate market, and the Assessor has a pretty good handle on what might happen with property tax levels. Discussion was held regarding the possibility of conducting a City-wide property appraisal. City Manager McNeil commented on previous consideration for a City-wide appraisal noting the cost was fairly expensive. He also commented on taxable value versus

equalized value and that taxable value would not likely change to the extent of justifying the expense for an appraisal; however, an appraisal would update the records.

Council discussed at length, efforts to reduce expenses without cutting services including exploring other employee health care options; eliminating what may be termed soft dollars in the budget such as fireworks, marketing and contributions to programs the City supports including the Opera House, Northern Lakes Economic Alliance and others; and DDA funding through tax increment financing. It was noted that the tax increment financing plan is the source of revenues to the DDA and that the program will continue another eight years. Discussion was held regarding the functions and purpose of the DDA, how DDA taxes are captured, and the percentage of salary and benefits paid by the DDA for the City Manager, Clerk/Treasurer, and Downtown Enhancement Administrator positions.

Employee and retiree health care was discussed and options such as higher deductibles and co-payments may be pursued as a cost saving measure. Also discussed was accumulation of vacation and sick time. City Manager McNeil explained that retirement and health care are the two largest costs and that fringe benefits can be negotiated but do not represent an immediate impact from a budget standpoint. Taking voluntary lay-offs was mentioned as a possible option to reduce costs. It was noted that the departments are already at minimum staffing. The City Council policy on the provision of retiree health insurance was also discussed. City Manager McNeil explained that depending on how the program were structured, even if the benefit were allowed to continue for those already retired with no new benefits in place, the level of funding would ultimately be reduced and those dollars could be allocated to other line items. Council discussed exploring various health insurance options. City Manager McNeil commented that research has been done and that the information could be provided to Council. He also commented on the collective bargaining process and issues that will soon come before Council in closed session.

Also discussed were means of generating revenue such as continuing to explore the city income tax option, and increase property taxes. Discussion was held regarding the advantages of implementing a city income tax including generating revenue to allocate funds for services that may otherwise be cut and creating a funding mechanism for new projects such as sidewalks, streets, and water quality improvement among other possibilities. It was noted that city income tax funds can be allocated to the General Fund. Also discussed were the disadvantages of a city income tax including the adverse affect on new and existing businesses within the City, placing additional financial burden on residents, encouraging new business to locate outside the City limit to avoid the tax, and the need to staff an administrator to conduct audits and administer the program. Also mentioned were strong objections expressed from the public regarding the possibility of a city income tax, the high unemployment rate in this area and throughout the State, and the City of Cheboygan having among the highest millage rates in the State.

Council discussed the current staffing of the Police Department, the status of the police services proposal, and restoring one police officer position by allocating \$50,000 or \$120,000 for two positions from funds set aside for future equipment purchases or from other reductions in the budget. Council also discussed public opinion with regard to combining police services with the County. City Manager McNeil commented that a decision is needed fairly soon with regard to the Police Department, adding that the budget was set up to fund the current level into October and then reduce one more position after that point. He referred to the \$50,000 needed for the budget to fund one officer position, commenting on the possibility of eliminating marketing and fireworks and taking the balance from the fund set aside for future equipment purchases to come up with the money needed

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for that position. Council discussed the importance of the fireworks to the community and that the marketing program is a top priority within the Strategic Plan. It was noted that an update from the Police Services Committee is needed before a decision can be made with regard to the Police Department. Council determined that a Special City Council meeting would be held on Tuesday, September 29, 2009 at 7:00 p.m. for a presentation from the Police Services Committee. Additionally, a vote would be taken at that time regarding police services and funding options.

Adjournment

Councilman Jewell moved to adjourn the meeting at 11:00 a.m. Seconded by Councilman VanFleet. Motion carried unanimously.

Mayor Richard B. Sangster

City Clerk Kenneth J. Kwiatkowski

Councilman Nicholas C. Couture

Councilman William K. Jewell

Councilwoman Theo Lepp

Councilman Mark Bronson

Councilman Michael J. VanFleet

Councilman Roger Kopernik