

SPECIAL CITY COUNCIL MEETING
January 28, 2010

The Special City Council Meeting was called to order by Mayor Sangster in the Council Chambers in the City Hall at 9:05 a.m. The proceedings were as follows:

Present: Council Members VanFleet, Sangster, Bronson, Kopernik and Lepp

Absent: Council Members Jewell and Couture

Mayor Sangster stated that the purpose of the Special City Council meeting is review of the 2010/2011 Preliminary Operation Budget for the General Fund and the Major & Local Street Funds.

City Manager McNeil referred to the 2010/2011 Preliminary Operation Budget noting that this reflects operations only and does not include any priority type objectives such as marketing or capital improvements. He mentioned an error in the preliminary budget that was previously presented in a report to Council that pertained to the Public Safety Department and that the information has been corrected. City Manager McNeil commented on the change in payroll and benefits information as a result of the correction as well as a reduction in the expected professional services costs within the Public Safety Department due to the new attorney contracts. Council discussed the decrease in professional services fees as a result of the new attorney contracts. Also discussed was how on call wages within the Public Safety Department are predicted and what benefits are included overall under fringe. City Manager McNeil explained that overtime wages are built in using historical information and that fringe benefits include vacation, sick, health insurance, retirement, workers compensation, social security, and short and long term disability. Discussion was held on how supplies are accounted for and what constitutes professional services. City Manager McNeil stated that the reduction in supplies resulted from fewer purchases than were anticipated. He noted that professional services include attorney fees, accountants, engineers and other professional services which are reflected as line items relative to each particular department throughout the budget. Council discussed duplication on membership dues and how the State sales tax line item is predicted. City Manager McNeil noted that the membership dues reflect one entry for the Fire Department and the other for the Police Department. He explained that anticipating State sales tax revenue is difficult to determine and is based on continuous monitoring and updates on State activities. City Manager McNeil referred to a projected reduction of approximately \$48,000 in State shared revenue and a reduction in anticipated property tax revenue of approximately \$50,000. Council was referred to General Fund Revenues and Expenses. Discussion was held on revenue received from payment in lieu of taxes, District Court fees and Police training and expenses relative to Council member salaries and wage level for the Board of Review. Council also discussed the increased number of special meetings, the proposed salary increase, and expenses of the various Boards and Commissions. City Manager McNeil noted that the Compensation Commission determines salaries and that expenses pertaining to Boards and Commissions such as legal fees and others are reflected in his budget. Council then discussed General Fund Expenses – General Government Contributions and Promotions. City Manager McNeil noted that these are contributions to different funds supported by the General Fund such as subsidies to the Local Street Fund to meet expenses not covered by State shared revenue. He referred to the Opera House contribution, subsidy to the Cemetery operations, the Retirement Fund and Termination Liability. Council discussed Economic Development which includes the City's contribution to the Northern Lakes Economic Alliance and the benefits that affiliation has had with contacts and assistance with grants. With regard to Marketing, City Manager McNeil indicated that he did not allocate funds toward marketing as Council has not held any

planning sessions. Council reviewed expenses relating to Assessor and Elections, and discussed professional services fees, computer rental allocation, wages for election workers. City Manager McNeil referred to the City Manager expenses and pointed out the reduction in salary which is a consideration for the ability for him to take pension when he reaches age 55 and return to work for the City at a lower salary. Council discussed fringe benefits and reduction in MERS contribution in that scenario. Council also discussed the increase in professional services and the possibility of requesting proposals for local labor attorney services as well as the process of employee wage increases through collective bargaining agreements for union employees and recommendations to Council for non-union employees. Council reviewed Public Safety expenses and discussed the decrease in equipment rental line item. City Manager McNeil referred Council to the Equipment Expense Breakdown report which outlines equipment expenses allocated by Department. He also referred to Equipment Fund Expenses which provides a breakdown of expenses for equipment support including fuel and mechanic services as reflected under equipment rental. Council discussed purchasing fuel for City vehicles. Clerk/Treasurer Kwiatkowski explained the Fuelman agreement, the expense tracking system, and savings in fuel costs. Council also discussed the purchase of a new fire truck, the longevity of existing fire trucks and replacement options. Council reviewed Public Works expenses under the General Fund and discussed LED street lighting technology, a possible reduction in the number of street lights used as a cost saving measure, reducing costs through energy efficient street lighting, and the existing contract with Consumers Energy for street light maintenance. Council also discussed the condition of municipal parking lots and need for repair. Council reviewed the Parks and Recreation Department expenses and discussed the MSU Conceptual Plan for the Major City Park under professional services as well as the Mooring Facility Study and partial grant reimbursement. Council was referred to the City Hall and Opera House expenses and discussed energy upgrades for heating and electrical maintenance through Johnson Controls as well as elevator maintenance expense. Council reviewed Major and Local Street Fund expenses and discussed the breakdown of expenses such as traffic services, winter maintenance, guard rails and record keeping, noting that the different categories are established as required by the State for reporting purposes. Also discussed was trunk line maintenance, County maintenance of the State Street Bridge, reallocation of the sidewalk program, dust control and roadside clean up. City Manager McNeil outlined the streets included in Major Streets, noting that all others within the City fall under Local Streets. Council reviewed WWTP/Sewer expenses and discussed the SCADA improvements, grit screw conveyor, and bio disc replacement. Also discussed were the Wastewater Treatment Plant facility, maintenance of existing equipment, and the engineering study that identified future needs. City Manager McNeil commented on revenues within the Sewer Fund, capital funding, and replacement planning. Superintendent Gall provided an overview of the SCADA system and in-house repair and routine maintenance of existing equipment.

Councilman VanFleet was excused from the meeting at 10:40 a.m.

Council also discussed the water main survey and State fees within the WWTP/Sewer expenses. Council reviewed Equipment Fund Expenses and discussed the significant decrease in gas and oil expense and reduction in wages and fringe benefits. Also discussed was the Equipment Replacement Plan including the purchase of a new police vehicle which will be evaluated based on staffing needs. Council discussed Energy Conservation Debt pertaining to the energy audit conducted several years ago and ultimate energy upgrade. Discussion was held on the Termination Liability Fund and concerns of adequate funding. Mayor Sangster requested a report on the funding level of the Termination Liability Fund and whether the City's under-funding is within the norm of other communities, and at what percentage. City Manager McNeil explained that concerns of under-

funding are based on a scenario where all employees were to terminate employment at the same time, and how that would be funded. He noted in his view, that scenario is unrealistic and would involve allocating funds toward an expectation that will likely not happen and would take away funds allocated toward services. City Manager McNeil commented that he feels expectations with regard to the Termination Liability Fund are reasonable and retirements are somewhat predictable. Discussion was held on the recent uncertainty with regard to the City's Police Department and the possibility of privatizing certain departments in the future. Council also discussed protection from a worse case scenario and ensuring adequate funding. City Manager McNeil commented on being contractually obligated to pay out benefits and the ultimate support available within the cash balance in the General Fund in the event something unforeseen occurred. He added that he could review the information and detail and Council can determine if changes should be made. Council then reviewed and discussed the Debt Funds. City Manager McNeil noted that a portion of the debt is supported by specific millage allocations. Discussion was held on bond documents as well as the current funding in the Termination Liability Fund and anticipated expense for benefit payments adopted for the current year. City Manager McNeil explained that the current balance in the Termination Liability Fund includes the anticipated expense for the current year. Council referred to Checking-Operating Funds on the City of Cheboygan Monthly Cash Flow Report. Clerk/Treasurer Kwiatkowski explained that Checking-Operating Funds comprise pooled funds which are allowed to maximize investment returns. Council discussed interest revenue and restrictions in investments because of governmental regulations. City Manager McNeil commented that department heads have been provided a list of capital outlay and are verifying the information in preparation of a meeting next week to start reviewing the list. He also commented on a recommendation to reserve funds for future cash purchases of equipment to avoid future debt. The reserved funds will reduce the funds available for Department Heads to work with relative to recommendations to Council on capital expenses. Council discussed the anticipated decrease in tax revenue and taxable value of property. Also discussed was the possibility of acquiring foreclosed properties for rehabilitation. City Manager McNeil commented on a land bank program and recommended further discussion for strategic planning because that is something in his view Council would need to make a priority.

Mayor Sangster asked if Council had any further questions of the department heads. There were no further questions.

Adjournment

Councilman Bronson moved to adjourn the meeting at 11:10 a.m. Seconded by Councilwoman Lepp. 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