

**BIRMINGHAM CITY COMMISSION MINUTES  
APRIL 16, 2016 BUDGET PUBLIC HEARING  
MUNICIPAL BUILDING, 151 MARTIN  
8:30 A.M.**

**I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

Rackeline J. Hoff, Mayor, called the meeting to order and opened the public hearing at 8:34 AM.

**II. ROLL CALL**

ROLL CALL: Present,	Mayor Hoff Commissioner Bordman Commissioner Boutros Commissioner DeWeese Commissioner Harris Mayor Pro Tem Nickita Commissioner Sherman (arrived at 8:38 AM)
Absent,	None

Administration: City Manager Valentine, City Attorney Currier, Clerk Pierce, Finance Director Gerber, DPS Director Wood, City Engineer O'Meara, Fire Chief Connaughton, Assistant Fire Chief Donohue, Building Official Johnson, Planner Ecker, Senior Accountant Burrick, Police Chief Studt, Deputy Police Chief Clemence, Commander Albrecht, HR Manager Taylor, IT Director Gemmell, Museum Director Pielack, BSD Director Heiney, Library Director Koschik, Assistant Library Director Craft

**III. BUDGET PRESENTATION**

A video was presented regarding the proposed budget for fiscal year 2016-2017.

City Manager Valentine explained that the City will see a return to its highest taxable value level in 17-18. It is a good sign; however costs have continued to increase so there are constraints that will have to be dealt with.

Mr. Valentine explained that this year's budget is a balanced budget and was guided by the established budget principles and goals which reflect an increase of 6% from the prior fiscal year. It is primarily the result of on-going infrastructure and capital improvement costs and a net addition of three new full-time positions to meet operational needs. He noted that the budget provides funding for approximately \$16.9 million in capital improvements which include approximately \$3.3 million for sewer improvements and repairs, \$1.7 million for water main improvements, approximately \$6 million for improvements to the City streets and sidewalks, \$1.8 million for improvements to the automobile parking system, and \$2.8 million for rebuilding the Chesterfield Fire Station. Also, there are increases in the water and sewer rates of about 3.6% and 6.6% respectively which are attributed to increasing operational costs and less water consumption. The budget maintains a strong fund balance of about 39% which is within the range established by the City Commission and reinforces the City's AAA bond rating. The City's millage rate is shown as a decrease due to an increase in taxable value which has reduced the refuse and debt levys accordingly. The Library Board has requested an additional .31 mills to fund improvements to the library. He noted that the City is prepared to make a supplemental

millage presentation outlining alternatives for the City Commission to consider in addressing the request in the context of the City's other funding obligations.

#### **IV. DEPARTMENT PRESENTATIONS AND DISCUSSION**

##### **COMMISSION**

City Manager Valentine explained that the 7% decrease is due to a reduction in the miscellaneous account for the goal setting session that was budgeted this year.

Mayor Pro Tem Nickita suggested that going forward the City consider increasing the budget for educational activities, workshops, conferences similar to where it was in the past so new Commissioners may attend advanced educational opportunities, workshops, and conferences. Mr. Valentine pointed out that the Commission has \$7,000 to use for conferences and workshops.

##### **MANAGER'S OFFICE**

City Manager Valentine explained the 1% decrease is due to the labor burden for the department. Mayor Hoff questioned the increase in Human Resources as there is no difference in the number of employees. Mr. Valentine explained that it is due to the retiree health care contributions that are showing up in the departmental budgets as it is required by the City's actuary. He explained that it is charging the legacy costs back to the departments.

Mr. Valentine explained that there is a 16% decrease for City Hall Grounds primarily attributed to adjustments in the labor burden, minor operating supplies and other contractual services. He noted that the property maintenance library has a 73% decrease due to repairs to the freight elevator which occurred in the prior fiscal year. He also noted that the legal budget was increased 1% due to an adjustment in the attorney retainer.

##### **HUMAN RESOURCES**

Human Resources Manager Taylor explained the increase of 6.5% is due to health care and retirement costs per the actuary.

In response to a question from Commissioner Sherman, Mr. Valentine explained that the Managers Office and Human Resources Office share the Assistant to the City Manager position. For a period of time that position was vacant which reduced the projection number.

##### **CITY CLERK**

Clerk Pierce explained that the City Clerk's Office budget is down approximately 1% from the previous year. This is attributed to a reduction in the salaries and wages and labor burden. She noted an increase in the equipment maintenance account due to the printing of color copies of the commission agenda for the commissioners.

Clerk Pierce explained that the elections budget is up 50% due to an increase in the machinery & equipment account due to the replacement of voting equipment. It is anticipated that the state will fund 50% of the cost and the City will be responsible for the remaining 50% of the cost.

##### **FINANCE DEPARTMENT**

Finance Director Gerber explained that the Finance Department budget is down 1.5% attributed to the retiree health care costs that were reduced in the department. He explained that the Treasury

budget is down 17.5% due to the elimination of the full-time billing manager position. He noted that a part-time clerical position was added. He explained that the Assessing budget includes the cost for the Board of Review and the Oakland County contract for assessing services. He noted that it is anticipated to be a small increase in the contract renewal.

## **PLANNING**

City Planner Ecker explained the budget increase of 1% is due to the types of projects that are planned under contractual services. The type and cost varies depending on the project. Mayor Hoff noted that the recommended budget is more than the requested budget. Ms. Ecker explained that the City Manager recommended the comprehensive master plan for the City be moved to the ~~upcoming~~ 16-17 fiscal year. She pointed out that the 16-17 budget includes via signs and in 17-18 additional funds are budgeted for via signs and the Downtown Birmingham Master Plan.

In response to a question from Commissioner Boutros, Ms. Ecker explained that GIS is the geographical information systems which is an on-line mapping program with geographical aerial photos used for planning purposes. She stated that the Planning Department has taken on the role of handling the City's GIS system.

Mayor Pro Tem Nickita noted that one of the most important planning issues is the Old Woodward Downtown Streetscape Plan. He stated that it is very important that the City put in the right resources to design it appropriately. Ms. Ecker explained that there are funds budgeted in the current fiscal year for the Bates Street Plan, but no funds are allocated in the Planning budget for Old Woodward. City Manager Valentine noted that when the City is at the point that it has to pull in resources for the plan, most likely it will come from a transfer from the general fund. Mayor Pro Tem Nickita expressed concern that the City is not getting in front of this.

Commissioner Boutros questioned the organizational chart. Mr. Valentine explained that the coordination is done by the building official. By designating one individual to coordinate activities that are involved in a project, the City can ensure that there is seamless follow through from when the plans are submitted to when the final certificate of occupancy is issued, that everything in between is coordinated by all the departments. Commissioner Boutros noted the chart should be revised to reflect that.

## **BUILDING**

Building Official Johnson explained the 11% increase is due to adding additional resources to keep up with construction activity in the City. One support staff position is being added and the use of McKenna will be increased to help out with inspection services. He noted that the large scale commercial project plan review will be sent to the International Code Council for their initial review which is a reimbursed cost to the City as the City collects the fee from the applicant, then pays the International Code Council.

Mayor Pro Tem Nickita commented that there have been different capacity issues in terms of code enforcement over the past few years particularly with foreclosures. He questioned if there is appropriate staff to address this. Mr. Johnson pointed out that an additional part-time code enforcement officer was added to the current fiscal year.

Mayor Hoff commented on the complete performance goals and measures submitted by the Planning and Building Departments and suggested other departments do the same.

David Bloom questioned the use of an outside consultant for the commercial projects. Mr. Johnson explained that City performs a secondary review on those projects.

DeAngello Espree suggested the amount of revenue generated from code enforcement be added to the next budget.

## **POLICE**

Deputy Police Chief Clemence explained the increase of 2.5% is attributable the retiree health care costs. In response to a question by Commissioner Harris, Deputy Chief Clemence explained that the crime rate is pretty flat with the exception of identity thefts and financial crimes. He stated that the intention is to assign a task force officer to the FBI who has funded a program to bring in local task force officers to allow local departments to have greater access to federal resources.

Deputy Chief Clemence explained that the dispatch budget is up 6.8% due to the purchase of a new Clemis system. He noted that the department is requesting the purchase of a new investigative camera from the Law and Drug Enforcement fund which will have the ability to integrate into the City's camera system to be used for clandestine investigations.

## **FIRE**

Fire Chief Connaughton explained that the 5% increase in the budget is attributed to the labor burden cost. He confirmed for Mayor Hoff that the department is budgeting for a new generator at the Chesterfield Fire Station. Mr. Valentine stated that these are the maintenance costs for the generator.

In response to a question from Commissioner Bordman regarding maintenance of the hydrants, Chief Connaughton explained that the City is installing new hydrants which do not require maintenance. Mayor Hoff suggested the number of hydrants be listed in the budget in the future.

DeAngello Espree questioned if the City is reimbursed for medical emergencies. Mr. Valentine explained that the City only bills for transporting from the scene to the hospital. Chief Connaughton confirmed that the patient is billed, not the business.

## **ENGINEERING**

City Engineer O'Meara explained the increase of 4.6% is attributed to retiree health care contributions and overtime for seasonal staff as it has been under-budgeted in the past. Mayor Hoff questioned the staffing level in the department. Mr. O'Meara confirmed that the City has hired three seasonal inspectors in addition to the existing four full-time employees.

Dorothy Conrad commented on the Quarton Lake area sewers program. Mr. Valentine explained that the City is trying to get easements from all the required property owners so that City can proceed with the project. He stated that the City will meet with the homeowners group to review the program and educate the residents on the need to get the easements done so the City can proceed. City Attorney Currier explained that the easements secured so far are permanent easements with the land.

Mayor Pro Tem Nickita commented that sidewalks are a significant part of the health, welfare, safety and walkability of the community. He noted that there are a number of places that do not

have sidewalks. He questioned if it is anticipated that new sidewalks being added. Mr. O'Meara stated that it does not as it is not the policy to force sidewalks on residents because the resident would be assessed 100% of the cost.

Commissioner Sherman expressed concern with the status of the Willits Alley.

## **PUBLIC SERVICES**

DPS Director Wood explained the 3% increase in the general budget is due to a change in contractual uniform allowance, utilities, and training and workshops. The 24% increase in the property maintenance account is attributed to the reallocation of employee wages and labor burden and a slight decrease in water utility due to the changes of frequency in the watering of City properties. The decrease of 9% in the weed and snow enforcement is due to the retiree health care contributions. The Ice Sports Arena increase of 5.5% is due to employee allocation changes and reclassification of expenditures. She noted that this includes phase two of security cameras at the ice arena.

Ms. Wood confirmed for Commissioner Bordman that the ice arena is traditionally operated at a loss of approximately \$6,000 - \$7,000 per year; however the fees are continuously monitored. Ms. Wood further explained the activities held during the summer off-season include four mom-to-mom sales and pickle ball.

Ms. Wood explained the community activities increase of 4.5% is due to labor and wages as well as the purchase of additional holiday lights. She noted that the installation of lights is reimbursed by the Birmingham Shopping District.

Ms. Wood explained the Parks and Recreation budget is decreased 4% due to the reallocation of employees for wages and benefits and a change in other contractual services due to master plans and consultant work for upcoming projects

Mayor Pro Tem Nickita questioned if trail system improvements were budgeted. Mr. Valentine explained that there are funds in the 17-18 budget.

Mayor Hoff questioned the revenues and expenditures for the maintenance of the cemetery. Mr. Valentine explained that a separate fund has been established called the Greenwood Cemetery Perpetual Care Fund. He stated that the City has no expenditures for the cemetery as that portion is handled by the contractor.

Commissioner Bordman encouraged the use of obtaining grants when developing the park system.

## **ENTERPRISE FUNDS**

Finance Director Gerber explained that in the water fund, the City is proposing a \$0.15 increase which would increase the cost of the average user of 90 units per year by \$13.50. He noted that the cost of water makes up 55% of the rate, over half of the rate is determined by agencies from sources outside of the City's control. He noted that the sewer fund the City is proposing a \$0.59 increase which would increase the cost to the average homeowner of \$53.00. He noted that 73% of that overall rate is determined by agencies from sources outside of the City's control.

Mr. Gerber explained GASB 75 will be fully in place in 17-18. He noted that the City's retiree health

care costs, which are currently not a liability on the City's books, will start showing up as a liability on the City's books. The cost is about \$36 million and has to be spread amongst various funds in the City. The Enterprise Funds will see it on its balance sheets and will be a reduction of its net position in 17-18.

Mr. Valentine presented the operating revenues in the water fund compared to the operating costs and how GASB 75 will change the net position with the fund which results in a decrease in the fund balance. On the sewer fund, in 17-18 the requirements for GASB 75 to post the debit to the fund which reduces the net position and going forward continual deficits in that fund.

In response to a question from Mayor Hoff regarding the difference between the water and sewer fund, Mr. Gerber explained that there are more personnel in the water fund than in the sewer fund. Mr. Valentine stated that the City charges out employee expenses to the different funds.

Mr. Valentine stated that if the City does nothing, there would be a significant shortfall in these funds and noted that the City will have to transfer funds. He stated the difference between the revenues and expenses in the general fund will need to be transferred to the water fund and to the sewer fund. This will maintain the fund balance within the current range of the fund balance policy. Going forward continue to maintain the fund balance at 35%, making the transfers based on the difference between the projected revenues and projected expenses. Mr. Valentine commented that a negative balance will impact the ability for bonding and other implications on the financial health of the City.

Mayor Hoff noted that the scenarios discussed and GASB reporting fulfilled, it is all positive and the City will end up with a fund balance that is over 35% and meet the requirement. Mr. Valentine noted that the amount of projects scheduled for those years will have to be reassessed. It is now a structural issue and the City may have to look at potentially raising the water and sewer rates going forward.

### **BALDWIN PUBLIC LIBRARY**

Library Director Koschik explained that the library is requesting a continuation of the 1.1 mills for operating expenses which will allow it to continue its hours, staffing, and services. Additional funds will be budgeted for technology. He noted that expenditures will be increased in electronic resources and improving the interior of the library in areas that are not part of the master plan.

Mr. Koschik explained the plan for the renovations to the adult services which is Phase 1 of the Master Plan and is \$2.2 million. The library is offering to contribute \$900,000 out of fund balance and unrestricted trust funds for the project, which leaves \$1.3 million. The library's headlee limit is 1.4639 mills. The current millage rate is 1.1 mills. The Library Board suggested increasing the library's millage rate by .31 mills for a total of two years which would bring in the required funds. He stated that there are enough funds available that the library could proceed with the project this summer and the Library fund balance would be down to \$147,000. A \$690,000 advance transfer from the City would ensure that the library does not fall beneath the Library fund balance floor.

City Manager Valentine presented slides explaining the model for funding options for this portion of the library renovation. He noted that there may be other transfers that need to be considered. He explained that Option 5 would increase the Library millage rate to 1.41 mills in FY 16-17 and FY 17-18 and reduce the City operating levy by .3006 mills in FY 16-17 and FY 17-18. With the

understanding that the Library would be utilizing their fund balance, if they had a contingency and a fire occurred, the City could contribute funds to the Library to ensure they had operating expenses necessary to operate the Library. From a General Fund perspective, this would transfer funds from the General Fund to the Operating City Expense Departments. This option would lower the millage rate and transfer the funds to fill the gap. As a result, the millage rate will remain relatively flat.

The Commission discussed the various models. The Commission agreed that option 5 would have the least adverse effect and does not increase the taxes for the average homeowner. It was noted that from a policy standpoint, it is better to manage the millage rate to a smooth transition is preferable to one that would spike. The issue with option 5 is creating a systemic shortfall in the City budget that would have to be backfilled with general fund.

Commissioner Sherman question if there are any projects or other items that can be delayed to lower the shortfall. He noted that this would eliminate the structural problem. He noted that the funds are supposed to be there in case of an emergency.

Jim Suhay expressed support of options 5 and 3. Mr. Valentine confirmed for Mr. Suhay that in the case of a dire emergency, the City Commission would be able to assist the library through a crisis.

Mr. Valentine noted that based on the conversations today, staff will return to the Commission with additional information.

The Commission agreed that bond counsel should opine on the options presented to determine whether it would be worth the cost and would minimize the impact of additional tax rates on citizens and to understand the net operating.

David Bloom suggested a hybrid of options 3 and 5.

Commissioner Harris left at 12:42 PM.

The Commission recessed at 12:42 PM.

The Commission reconvened at 12:58 PM.

### **ENTERPRISE FUNDS (continued)**

DPS Director Wood explained the 1.7% increase for Lincoln Hills Golf Course and 5% increase at Springdale Golf Course is attributed to public improvements. Ms. Wood confirmed for Dorothy Conrad that golfers are using the golf course in spite of the construction on Big Beaver.

City Engineer O'Meara explained that the changeover on the equipment at the Chester Street Structure is being implemented next week. The other four garages will be done in the next fiscal year. He noted that there is a plan to paint the structural steel in the Park Street Structure and the lights will be replaced with LED's as well.

Mayor Hoff questioned the increase to Central Parking. Mr. O'Meara explained that with the high demand for parking and that the structures are filling on a regular basis, more staff is needed in the garages to monitor the entrances and keep the traffic flowing.

## **SPECIAL REVENUE FUND**

Finance Director Gerber explained that in major and local streets, the City should start to see additional revenue from the state, generated from the increase in the gas tax and the user registration fees. He noted that the non-capital related expenditures decreased by 4.3%.

Commissioner Sherman questioned which projects had been petitioned for. Mr. O'Meara explained that there is interest from the residents to have Saxon paved. He noted that they have done a petition and the booklet has been mailed out. He noted that West Brown is a general fund capital improvement where the existing road is worn out and the pavement needs to be replaced.

Mr. O'Meara confirmed for Commissioner Sherman that Villa was already approved by the City Commission and is moving forward. Poppleton is just maintenance and the resurfacing of various roads is general maintenance funds. Reconstruction of Raynale, Glenhurst, Brookwood, Kenwood, are part of the backyard sewer and water plan to separate the sewers out so more water can be diverted out of the sanitary sewer system. He noted that all those streets are permanently paved, which is why they were selected, and near the end of their service life so it is a good time to tackle those issues.

DPS Director Wood explained that solid waste disposal budget increase of 1% is due to the increase in pick up and disposal cost for residential pick up. In response to a question from Mayor Pro Tem Nickita, Ms. Wood ~~explained~~ described the recycling containers located in Shain Park and around town.

## **INFORMATION TECHNOLOGY**

IT Director Gemmell explained the 15% increase in the budget is attributed to investments in infrastructure replacements that are at the end of life or require better performance including the replacement of the City Commission Room projector and screen with a high definition capability, replacing the security fire wall, network switching equipment, and provide for a newer parking ticketing system for parking enforcement.

## **BIRMINGHAM HISTORICAL MUSEUM**

Museum Director Pielack explained the increase of 12% in the Allen House budget is attributed to one-time expenses related to the rebranding efforts, advertising, consultant work, and signage.

George Stern suggested the Commission demand how much money is in the endowment fund and whether the City will receive 50%. He suggested the Commission know the number of patrons as it is a source of revenue. He commented that there are many demands for expenses and rebranding is not one that City money should be spent on.

Commissioner Sherman noted that revenues are accounted for in the budget. Ms. Pielack noted that the endowment fund has a principle balance of approximately \$800,000. That results in discernments of grants to the City from \$38,000 to \$40,000 per year. The revenues have been increased as a result of increased utilization in requests for research and duplication. She noted that there has been an increase in visitors to the museum.

Ms. Pielack explained the 50% reduction in the Hunter House budget was due to the elimination of the one-time expense for exterior paint.

### **BIRMINGHAM SHOPPING DISTRICT (BSD)**

BSD Director Heiney explained that on the expenditure side, funds were reallocated to add more funding for programming, marketing, special events, and maintenance.

### **BROWNFIELD REDEVELOPMENT AUTHORITY**

Finance Director Gerber explained that the fund captures tax incremental financing from projects presented to the Commission for approval. He noted that the budget assumes that the City will capture ~~get~~ the project costs through a TIF ~~into the City~~ and the funds will be dispersed back to the developer, dependent on when the developer submits its cost reimbursement.

### **TRIANGLE DISTRICT CORRIDOR IMPROVEMENT AUTHORITY**

Finance Director Gerber explained that the intent of the fund is to capture incremental tax revenues from this area to be used solely for parking purposes. Mr. Valentine explained that the Authority has been created, but the TIF has not been established yet. Mr. Valentine confirmed for Commissioner Sherman that Oakland County changed their arrangement for how they participate in local TIF's. He stated that the terms of the agreement with the County are being worked out.

Commissioner Sherman stated that the City adopted the plan to set the base tax year of 12/31/14. He questioned if 2014 is the year that all incremental increases are based on or is the base year now 12/31/15. The Commission requested staff to follow up on this.

### **GREENWOOD CEMETERY PERPETUAL CARE FUND**

Finance Director Gerber explained that this fund captures revenues from the sale of plots. The purpose of the fund is to invest those revenues to generate interest income, which would then be used for maintenance and improvements at the cemetery.

George Stern commented that the City Code restricts the funds to be invested according to Public Act 20. He suggested the City adopt the new state law, Public Act 215 into the ordinance which would allow municipal cemeteries to invest at close to market rates. Mr. Valentine clarified that the change allows for the inclusion of investments in mutual funds.

Commissioner Nickita left at 1:42 PM.

### **CAPITAL PROJECTS FUND**

Finance Director Gerber explained the capital projects fund captures major expenditures usually at the ~~with~~ a threshold of \$25,000. He explained the list of planned projects include the funds with the anticipated capital expenditures over the next six years.

Commissioner Sherman commented that by setting out the capital projects years in advance, it allows the City to properly budget for them and figure in the cost for the project. He stated that \$16 million in infrastructure improvements are budgeted this year which is substantially above the norm of \$8 million. Mr. Valentine stated that staff will review this.

### **PUBLIC COMMENT**

George Stern suggested the Commission ask for a report from the cemetery committee at the next budget session.

David Bloom and DeAngello Espree commented on the well run budget meeting.

The Mayor closed the public hearing and adjourned the meeting at 1:50 PM.

Laura M. Pierce  
City Clerk