

**City of Northville  
Budget Committee Meeting #7  
October 11, 2010**

The Chairperson called the meeting to order at 7:02 p.m.

**Present:** Chairperson Jerry Mittman, Vice-Chairperson Dave Bolitho, John Buckland, Janice Cantelon, Joe Hoffman, Sue Ellen Hooper, Charles Jerzycke, Mark Kassa, Don McCulloch (arrived 7:12 p.m.), Chuck Murdock, Shawn Riley, Ken Roth, John Shier, Teresa Smith, Jeff Snyder (arrived 8:05 p.m.), Kim Voytel, *Jay Wendt*

**Absent:** Suzanne Boelter, David Boyd, David Larsen, Bill Lokey, Mishelle Lussier, Doug Moak, Mary Poole

**Also Present:** Staff: City Manager Patrick Sullivan, Finance Director/Treasurer Sandi Wiktorowski, City Clerk Dianne Massa, Police Chief Gary Goss, Police Captain Michael Carlson, Parks and Recreation Director Traci Sincock, Financial Analyst Cindy Kushner, Fire Chief James Allen, Youth Assistance Director Sue Campbell

Other: Reporter from the Northville Record, and three citizens/employees

**APPROVAL OF AGENDA AND SEPTEMBER 27, 2010 BUDGET COMMITTEE MINUTES**

**Motion Shier, seconded by Riley** to approve the September 13, 2010 Budget Committee meeting minutes as presented. **Motion carried unanimously.**

**DISCUSSION ON VISION AND VALUES FOR NORTHVILLE**

Budget Committee member Joe Hoffman facilitated the discussion to bring out the vision and values for Northville. Participants, who included Committee members, Staff, and citizens/employees present, were asked to record ideas of what they envisioned, in five years, for the City of Northville.

(Budget Committee member Don McCulloch arrived.)

Following the exercises, it was found that in five years the City of Northville will have/be:

Most strong/highest designation

1. Its own Police and Fire Departments
2. The same level of service as 2010 (rubbish, leaf pick-up, Police and Fire)
3. A stable budget with fund balance/equity
4. A safe City
5. An excellent network of parks and paths, a “bike-able City”

Additional ideas/visions/values

- No empty storefronts
- Top shelf services and amenities
- A good place to raise families with activities for all ages
- Continued sense of small town environment and family friendly
- Streets that are well maintained
- Better neighborhoods with improved streets and sidewalks

- Top notch school district
- Strong shopping/restaurant presence (good business mix)
- Vibrant, strong, and attractive downtown/community
- Affordable housing for all ages
- Affordable taxes
- Top notch youth and senior services
- Open businesses during special events
- Right-sized, well-trained, highly motivated City Staff
- Hotel use in downtown
- Opportunities for recreation
- 100% of buildings utilized
- A downtown with a huge parking problem
- Cady corridor development (South Main curve)
- Continued good relationship with the Township and/or other communities
- Model City for energy sustainability with charging stations
- Continued unique Northville events
- Rising property values

The Committee found that the theme and consensus consisted of an excellent town with a sense of history and high standards for safety, schools, city services, and quality of life. Although the City is faced with financial challenges, the Committee does not want the City to change. However, there is a cost to retaining this vision. The Committee will be faced with the challenge to determine if the proposed expenditure reductions and proposed revenue increases are consistent with the values and vision for the City of Northville. Some Committee comments noted that their own personal interaction with residents is consistent with the vision and values noted above.

#### **REVIEW AND PRIORITIZE EXPENDITURE AND REVENUE ITEMS**

In preparation for the draft Committee report, a final review of the list of proposed expenditure reductions was done. As part of the discussion, additional modifications to certain items were done in order to clearly communicate the Committee's thoughts and intentions. The final list will be included as part of the Committee's report to City Council. The report will indicate that the items are not in a priority order.

Following further discussion, the revenue item "investigate charge backs to DDA" was replaced with "review all General Fund expenditures for items which can be directly charged to other funds" (this item is also listed on the proposed expenditure reductions list).

In response to a Committee question, Staff explained that City Hall employees were being relocated to the front section of the building to provide improved and efficient customer service, staff coverage during sick/vacations, and opportunity for further cross-training. DPW is assisting with moving workstations and files.

(Budget Committee member Jeff Snyder arrived)

#### **DISCUSSION OF STRAWMAN TARGETS FOR RECOMMENDED EXPENDITURE REDUCTIONS AND REVENUE INCREASES**

The Budget Committee chairperson reviewed the "Strawman" recommendation (included in the BC meeting packet) to the Committee. The Strawman included specific dollar amount/percentage targets for recommended expenditure reductions and revenue increases for fiscal years 2011, 2012, 2013, and 2014.

For each fiscal year, the Strawman format included the following along with specific cited dollar amounts:

- Projected Shortfall
- Expenditure Reductions (with specific reduction amounts for personnel costs and non-personnel expenses)
- Revenue Increases (with specific increase amounts that are millage related, reallocated funds, other revenue increases, and amount from Fund Balance)
- Remaining (Shortfall)/Surplus

Lengthy discussion ensued pertaining to the Strawman targets. Comments included:

- Comments voiced concern that the specific target amounts noted in the Strawman recommendation. In reviewing the expenditure reductions, there was reluctance to assign specific target amounts to personnel and non-personnel reductions as the Committee does not know what is an achievable and reasonable reality or an appropriate allocation. As the City Manager and Administration are more familiar with the City operations, it was suggested that the City Manager be given a suggested amount for expenditure reductions. The City Manager would then have the flexibility to determine the best way to achieve the target number and if the reductions should come from personnel or non-personnel costs.

It was countered that citing specific percentages and dollar amounts is appropriate. The Strawman gives the potential recommendations and what savings could be realized through the percentages cited in the Strawman. The Budget Committee sub-committee, along with the City Manager and Finance Director, has reviewed the targets and believe them to be reasonable.

The City Manager noted that it would be useful to have a target. While there is a plan that could reduce the personnel costs, most non-personnel costs are not in the City's control. It is unknown if that target could be met.

- Comments voiced concern that it is not reasonably possible to negotiate wage reductions, as proposed in the Strawman recommendation, which would go into effect in December 2010. A separate Committee member comment voiced the belief that the labor unions had already made significant concessions and would not likely re-open the labor agreements prior to June 30, 2013. This raised the question on whether staff reductions would occur through layoffs.
- The belief that certain items on the expenditure reduction list are not practical, desirable, and are contrary to the Committee's vision of Northville.
- Belief that the Strawman recommendation should recommend using cell tower revenue in place of a Fund Balance allocation.
- Was the Committee charged with recommending budget reduction strategies for the current fiscal year (FY2011)? City Council had committed to using a portion of Fund Balance for FY2011 because there wasn't a restructuring yet in place that would balance the budget. However, the Budget Committee, is suggesting that City Council review and reconsider using Fund Balance for FY2011.
- The need for a "Plan B" for revenue increases if expenditure reduction targets cannot be achieved. It was suggested that if the objectives are not met, a small portion of Fund Balance could be used to achieve a balanced budget.

- Comments voicing concern that the Strawman recommendation does not suggest a Headlee override as a revenue increase until fiscal year 2013. This prompted further discussion on when would be an appropriate time to present a millage increase proposal to the voters. Comments supported a millage proposal for FY2012, with the thought of presenting a millage proposal to give residents the opportunity to voice whether they want to retain the values, vision, and services that define Northville and if they are willing to pay for this at the 2010 tax rate. If the millage proposal is rejected, then the reductions would be implemented at that time. At the last election, a majority of millage increase proposals in other communities and school districts passed overwhelmingly. There was also concern that waiting until FY2013 would hinder any chance of a successful Headlee override.

Comments countered that other people in the community have been faced with income reductions, loss of employment, and declining property values. The Committee has identified expenditure reductions and other revenue increases to address budget shortfalls through FY 2012. These are difficult times and without painful changes, any millage increase request will not be successful. In waiting until FY2013, people might be more secure with their own personal finances and willing to support a millage increase. There was a concern with taxing people out of the community. The City Manager has voiced that the targets are achievable, which do suggest wage and benefit reductions. Employees will need to make a decision on whether they wish to continue working for the City or seek other employment.

An informal poll of the Committee members present found that a narrow majority (10-7) of the Committee was in favor of pursuing a Headlee override in fiscal year 2012. However, there was not strong consensus and the report should not reflect that a slight majority was the consensus. It was suggested that the report offer the pros for both scenarios and allow City Council to make the decision.

- As part of the presentation to City Council, the Committee should note that the budget stabilization will need to come from a combination of revenues, expense reductions, and a tax increase.
- The City Manager questioned what goal is the Committee is trying to achieve. Analysis found that the average home is valued at \$214,000 and has an average tax bill of \$1,428. Following the Strawman recommendation, that tax bill will decrease to \$1,285 in 2011. Should a millage increase occur in 2012, that same tax bill would increase to \$1,311. If the millage increased in 2013, that same tax bill would increase to \$1,366. The Committee should consider what would be the overall level of funding in FY2014. It might be easier to determine the lower funding level so that tax bills do not go down and then increase.
- The City Manager also noted that the City will need to reduce employees to meet the personnel cost targets. Preferably, employee reductions should occur through attrition, which would avoid layoffs and unemployment benefit costs. Layoffs could require a 2 to 1 ratio in layoffs to achieve a savings. The City Manager noted that while there are employees that are eligible to retire, it is impossible to predict exactly when an employee will retire and that a retirement cannot be forced upon an employee. It is also impossible to predict what the four unions will do regarding reopening the labor agreements. The City will need labor concessions to help sell a millage proposal to the voters.

Following the discussion, it was noted that the Strawman recommendation would keep personnel and non-personnel costs separate. In FY2012, two alternatives would be presented. The first scenario would be as shown in the draft Strawman to defer a millage recommendation until 2013. The other scenario

would show a Headlee Override for FY2012 that considers up to 3 mills for a three to five year period. Budget shortfalls would be presented as they are today. It was recognized that a successful 2011 Headlee override could eliminate most of the budget shortfall.

**DISCUSSION ON DRAFT COMMITTEE REPORT OUTLINE**

The Vice-Chairperson reviewed the proposed draft Committee report outline. A hard copy was included in the meeting packet for Committee review. A determination will need to be made on whether the names of Committee members that did not attend the Committee meetings should be excluded from the report. Charts and lists will be incorporated as needed. In addition, the report will note that all back up information, documents reviewed by the Committee, and Committee meeting minutes is available for review on the City's website.

City Council will also have discussion and public hearings on the Committee's report. The Council will need to determine the best method and format to inform the residents of this report. Comments from the Committee also expressed an interest in hearing from the various Department Heads on how further staff reductions will impact city services.

**CITIZEN COMMENTS** None

The draft Committee Report will be distributed to Committee members via email by October 18<sup>th</sup>. The next meeting is scheduled for October 25, 2010 at 7:00 p.m. at City Hall. The Budget Committee will present its report to City Council at its November 1, 2010 regular meeting. The City Council meeting will be held at the Senior Community Center.

The meeting adjourned at 9:15 p.m.

Respectfully submitted,

Dianne Massa  
City Clerk

Approved as amended 10/25/10  
(Amendment shown in italics)