

City of Northville
CITY COUNCIL SPECIAL MEETING MINUTES
April 22, 2010

Mayor Johnson called the meeting to order at 7:00 p.m. in the Northville City Hall Council Chambers, 215 West Main Street, Northville, Michigan.

CALL TO ORDER

Present: Mayor Christopher Johnson, Mayor Pro Tem James Allen, Councilmembers Douglas Bingham, Nancy Darga (arrived at 7:04pm), Michele Fecht

Absent None

Also Present: City Manager Patrick Sullivan, Assistant City Manager/Finance Director Nicolette Bateson, Assistant Finance Director Sandi Wiktorowski, DPW Director James Gallogly, Fire Chief James Allen, City Clerk Dianne Massa, reporter from the Northville Record, and three citizens

PRESENTATIONS

A. Citizen Comments None

APPROVAL OF AGENDA

Motion Allen, seconded by Fecht to approve the agenda as presented. **Motion carried unanimously.**

FY 2010-2011 BUDGET REVIEW

Refuse and Recycling Fund (page VI-1): This fund is divided into two basic programs: residential and commercial. The residential program is a weekly service funded by a bi-monthly charge billed to each participating household. The commercial program is a six-day per week service funded by a bi-monthly charge to downtown residential and commercial business entities. In June 2007, the City began a five-year contract with Waste Management. Due to favorable rates in the new contract, no changes are proposed for FY 2011. The Residential Program rates were favorable as well and the current \$25.44 bi-monthly rate has been in effect since June 1, 2002. For FY 2011, it is proposed that the cost of the City's Fall Leaf Collection Program be moved from the General Fund to the Refuse & Recycling Fund. The proposed July 1, 2010 bi-monthly rate will increase to \$27.24 and the proposed July 1, 2011 bi-monthly rate will increase to \$29.04. The City will again partner with the Charter Township of Northville and the City of Livonia for Household Hazardous Waste Day in May and September.

Councilmember Darga arrived at the meeting.

Council Comments: Further explanation was given pertaining to the proposed rate increase which will be used to fund the fall leaf collection program. Without funding the fall leaf

collection program through the Refuse & Recycling Fund, the solid waste residential program rate would have remained the same.

Water and Sewer Fund (page VI – 9): In May 2008, the City of Northville and the City of Detroit negotiated a new 30 year contract. Preliminary rate increases proposed by the Detroit Board of Water Commissioners for water service show a 2.32% decrease for Northville effective July 1, 2010. Provided that the Detroit City Council supports that rate, the City of Northville will be able to hold off any usage rate increase for FY2011. The service charge is proposed to increase 2% from \$6.60 to \$6.73 bi-monthly based upon inflationary increases in costs. The City's water loss ratio continues to remain low at less than 10%. The proposed budget also includes the replacement of a few valves and fire hydrant assemblies in the system. In addition, the S. Rogers waterman replacement program is scheduled for FY2012.

Wayne County is the provider of sanitary sewer service for the City of Northville. No rate increase is proposed by the Detroit Board of Water Commissioners for "per unit" sewage disposal effective July 1, 2010 pending final approval by the Detroit City Council. Wayne County also bills a quarterly fixed cost for maintaining the sewage disposal system and that rate is proposed to increase 39% from \$55,373 per quarter to \$77,084 for FY2011. Despite that increase in costs, the City will hold on any rate adjustment for FY2011. The last time the City increased the sewer rate for its customers was July 2003.

In 2007 the City of Northville signed an Administrative Consent Order with the Michigan Department of Environmental Quality (MDEQ) now called the Michigan Department of Natural Resources and Environment. To comply with this order, the City has a time table in which to bring its sanitary sewer flow within contract limits. The City is not alone in this effort. This City's efforts are part of a combined effort with surrounding communities under Wayne County's leadership. In FY 2009, the City began short term sanitary sewer system pilot projects aimed at eliminating excess flow in Northville's sanitary sewer system. These sanitary sewer projects will continue into the next fiscal year (estimated cost for FY 2011 is \$360,000).

Depending on the success of these pilot projects, the City may be required to share in the construction of a wastewater capacity control system. Preliminary estimates of Northville's share of this long term solution to peak flows are in the \$2,000,000 range. It is likely that Wayne County will issue debt on behalf of itself and all the communities impacted by this wastewater capacity project.

Also included in the operating costs is funding for the spot sewer repair program and an aggressive sewer cleaning program. Customer charges for the dual sewer rate per unit will increase 4.9% from \$1.83 to \$1.92 per unit. This represents an overall reduced sewer rate for water users.

Council Comments: Further explanation was given pertaining to the water and sewer rates.

Explanation was given pertaining to the MDEQ Administrative Consent Order and the possibility of Wayne County issuing debt on behalf of itself and all the communities impacted by the wastewater capacity project. It was noted that the City has been setting aside funds for several years in anticipation of the financial impact to the City for the wastewater capacity project.

Additional discussion ensued pertaining to the pilot projects designed to eliminate excess flow in Northville's sanitary sewer system. Concern was voiced pertaining to the method of grant funding proposed to fund the pilot program, the difficulty in determining if the pilot program costs will justify the improvements, the baseline data that will be used to determine if the pilot

program is successful, the fact that the 39% fixed rate flow rate increase is a revenue increase for Wayne County that will not adjust down even if the pilot program improvements work, what is the incentive for communities to expend funds on improvements to decrease their excess flow when the community will still be assessed the fixed rate flow rate increase, and the need for further rationale from Wayne County on its proposed fixed rate increase. This information is needed for Council review prior to setting water and sewer rates for FY2011.

Equipment Fund (page IX -8): This fund provides for the maintenance, repair and replacement of City-owned equipment. The major source of revenue for this fund comes from internal equipment rental charges. These charges are determined using published Michigan Department of Transportation equipment rates, which are updated annually. Beginning with FY 2011, the City is proposing to reduce the equipment charges by 10% of this published rate to address long term budget constraints in other funds. The Equipment Fund is a self-sustaining internal service fund. Reducing revenue to the equipment fund will lower the amount available for future purchases, but this impact is manageable, due to recent contracting of some snow removal and mowing services.

Based on the above change, the proposed operating expenditures for general vehicle maintenance in this activity will be reduced by 10% from the previous year. The fluctuation from year to year in reserves for this fund is due to proposed capital expenditures. In an effort to curb the cost of snow and ice control, liquid deicing equipment is being proposed in this budget for \$20,000. This equipment will be used to apply liquid to the salt as it is spread on the road making the salt more efficient and effective.

Review of Proposed Use and Reallocation of Public Improvement Funds

At least annually, the City Council reviews the allocation of funds designated in the Public Improvement Fund. The source of these funds is from racetrack breakage and other governmental sources (typically the General Fund). At the May 3, 2010 City Council meeting, Staff will propose the use and reallocation of Public Improvement Funds.

During preparation of the FY 2011 budget, City Staff reviewed the funds previously designated. As part of this review, some projects are being finalized, some priorities have changed, new projects have been proposed, and/or projects are closed out resulting in remaining funds available for reallocation. As some of the proposed use and reallocations may affect the FY 2011 budget presented, City Council was asked to review this list as part of the budget review session.

The proposed use and reallocation of Public Improvement Funds was summarized as follows:

- Remaining funds from closed out projects (\$5,550 from Emergency Warning Siren Activation Project and \$1,735 from Police Simunition Training Equipment) are proposed to be allocated to “Contingency/Grant Match” for \$7,285.
- New project – Funds (\$20,000) to re-evaluate State of Michigan Department of Environmental Quality’s Mill Pond Repairs and Improvements report based upon their inspection.
- Allocation of \$60,000 for Police Equipment/Fire Equipment Fund based upon proposed FY 2011 budget.

- Remaining funds from closed out projects (\$8,610 from Organizational Review & Implementation Project and \$200 from Tree Survey) are proposed to be allocated to “Contingency/Grant Match” for \$8,810.
- Allocate additional funds to non-motorized improvements category for grant match for Northville/Northville Township bike path project (\$20,539).
- Reduce allocation based upon revised budget from the Comerica Walkway Project (\$8,610) and FY 2010 unallocated funds (\$5,390) for City Entrance Sign Project (\$14,000).
- Dedicate funds to work with community groups over the next year to develop list of projects for possible Certified Local Government grant applications. Success of obtaining future grant funds may be dependent upon having projects ready to be submitted within a 45-day time period (\$6,500).
- Randolph Drain Assessment is estimated to be higher than originally estimated by \$31,522.
- Projects on hold:

A) City Hall/DPW Yard lighting and mechanical energy efficiency upgrade project of approximately \$602,000. Funding sources include the following.

Grant	\$ 50,000
Cash - Public Improvement Fund	104,000
Cash - Equipment Fund	48,000
Financing over ten years	<u>400,000</u>
Total	<u>\$602,000</u>

Potentially the ten year financing is proposed to be paid primarily from energy savings. Honeywell, Inc. has estimated \$40,000 in annual energy savings from these mechanical and electrical system upgrades to help offset the cost of the financing repayment.

B) Removal of structure at 222 S. Wing and related landscaping with an estimated total of \$28,000.

Council Comments: Discussion ensued pertaining to the necessary Mill Pond dam repairs in response to the State of Michigan dam inspection as well as other improvements needed for the Mill Pond.

With regard to the City Entrance sign upgrades, it was suggested that a painted metal band be added to the sign posts to alleviate damage to the wood post that has been occurring during mowing.

Further discussion pertained to the Randolph Drain Assessment for drain improvements, including questions on erosion control efforts and other improvements that are within the City limits, action taken by Novi to remit their excess storm water discharge which affects the City’s portion of the Randolph Drain, how the improvement costs are allocated to the Randolph Drain communities, and the increase in assessed costs to the communities.

Additional discussion pertained to the allocation of additional funds for a grant match for the Northville/Northville Township non-motorized bike path project.

Review of Proposed Millage Rate

Discussion ensued pertaining to the proposed FY2011 budget. Council was supportive of the proposed budget and recommendations from Staff. Comments acknowledged the need to move forward during FY2011 to have serious discussions with the citizens to determine which services are critical and essential and if there is resident support for Headlee override to fund these services.

Additional comments voiced concern with the amount of unfunded mandates imposed on the City as well as the unknown of the future of State-Shared Revenue and how the City can weigh these factors in the long-term financial forecast. It was noted that experts in Lansing have stated that the State will not address its financial challenges until the November 2010 elections are done and a new Governor is elected. As such, the City can only focus on the factors for which it has control.

Other comments spoke of a recent report that identified more than \$36 billion of unfunded mandates by the State that have been forced upon all units of local government. In addition, local government is being required to submit extensive reports to defend how it uses its portion of certain revenue sources received from the State. The reporting requirements are vague and if the State believes the funds were not properly used, the State will require the local unit of government to refund the funds.

Following further discussion, it was suggested that the City Council begin the process of developing its action plan, define the committee's mission, and make its recommendations for appointment to the citizens committee. The citizens committee should include a broad base of citizens and that the appropriate Staff is present to address the committee's questions and to provide information. It was also suggested that a chart be created that will outline the process so that the City Council will receive the committee recommendations in November 2010.

Motion Fecht, seconded by Allen to call a City Council special study session on May 24, 2010 at 7:00 p.m. to review budget issues. **Motion carried unanimously.**

MAYOR AND COUNCIL COMMUNICATIONS

A. Mayor and Council Communications None

B. Staff Communications None

There being no further business to come before Council, the meeting was adjourned.

Adjournment: 8:33 p.m.

Respectfully submitted,

Dianne Massa, CMC
City Clerk

Approved as submitted: 5/17/2010

Christopher J. Johnson
Mayor