

City of Northville
CITY COUNCIL SPECIAL MEETING MINUTES
April 13, 2017

Mayor Roth 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 Ken Roth, Councilmember Nancy Darga (arrived 7:09 p.m.), Sam Ekong, and Marilyn Price

Absent Mayor Pro Tem James Allen (excused)

Also Present: City Manager Patrick Sullivan, Finance Director/Treasurer Sandi Wiktorowski, Accountant Nancy Piwowar, Director of Public Works James Gallogly, Housing Director Sherry Necelis, Parks and Recreation Director Mark Gasche, Youth Assistance Director Sue Campbell, DDA Director Lori Ward, Art House Director Abigail Wright-Geddes, and one citizen.

PRESENTATIONS

A. Citizen Comments None

APPROVAL OF AGENDA

Motion Ekong, seconded by Price to approve the agenda as presented. **Motion carried unanimously.**

FY 2017-2018 BUDGET REVIEW

Arts Commission Fund (page V – 26): Brief discussion ensued pertaining to the Friends of the Art House, which is a 501c3 organization that is separate from Northville Arts Commission (NAC) and grant opportunities that might benefit the Arts Commission

Councilmember Darga arrived at the meeting.

Housing Commission Fund (page V-43): Rent for one-bedroom apartments is proposed to increase 1/44% to \$705, with the two-bedroom units remaining at \$1,090.

Housing Commission Capital Outlay Fund (VIII-7): \$138,000 is proposed to be transferred to the Housing Capital Outlay fund for building improvements. Proposed for FY2018 is the replacement of apartment doors and closet doors, one-third of the refrigerators, one-tenth of the heating/cooling units, and the front concrete patio.

Discussion ensued pertaining to the rent subsidy from the Allen Terrace Trust Fund, the balance of the Trust Fund, and how it is managed. Discussion ensued pertaining to the Meals on Wheels program.

Housing Debt Retirement Fund (VII-10): The debt service payment for the renovation bond is \$95,647. The final payment is due in October 2022. It was explained that the City is the guarantor for the debt service with Allen Terrace tenant rent pledged for debt repayment. An update was given on the retaining wall project.

Street, Drainage and Sidewalk Improvement Fund (page V-1)

Major Streets Fund (page V-8)

Local Streets Fund (page V-16)

The Street, Drainage and Sidewalk Improvement Fund reflects the revenue received from the 1997 dedicated millage. Funding from the millage is collected in this account and then transferred to Major Streets Funds and Local Street Funds for capital improvements as needed. The Street, Drainage and Sidewalk Improvement Fund's long-term plan focuses on executing capital projects as outlined in the City's new "Street Improvement Plan" completed in December 2011.

The Major Streets Fund and Local Streets Fund records revenue received from gasoline tax through the State of Michigan under Act 51. Act 51 revenue remains fairly stable, and expenditures for routine operation and maintenance activities are expected to remain consistent. An annual operating transfer to Local Streets is proposed, pursuant to PA 338 of 2006, which allows transferring up to 50% of Major Street Funds to Local Street Funds with no local match. This would cover the costs of maintaining the more extensive local street program.

FY2018 projects include: Sidewalk Program, Crack Sealing Program, Northville's share of the Beck Road project from Eight Mile Road to north City limit (east side only), Elmsmere, and High Street.

Discussion and questions pertained to streets that have already been completed; the planned reconstruction of Beck Road (from Eight Mile to Nine Mile) and the City's local match; and explanation of the funds available and remaining in the Street, Drainage and Sidewalk Improvement Fund. It was suggested the street report be updated as some streets appear to have deteriorated since the 2013 report. The process used by the engineer to prioritize roads will be part of the analysis. City Council noted that funding for roads is an area in which much community dialogue is needed.

Parking Fund (V-23): No parking lot improvement projects are planned for FY2018. It was commented that the public parking lot between City Hall and the Community Center needs repair. Questions and discussion ensued pertaining to ownership of the public lot between City Hall and the Community Center. The lot is on school property even though it is maintained by the City. The lot is not planned for repair by the school district.

Public Improvement Fund (V-36): This fund receives breakage revenue from Northville Downs' activity from live and simulcast racing. Racetrack breakage revenue is recorded in the Public Improvement Fund when received to the extent that it exceeds the cost of providing police service at the racetrack. The breakage revenue in this fund is used to finance public improvement projects. This fund is also used to record various capital improvement projects, grant activity, property acquisitions, and the related rental revenue and expenditures.

It has been the City's policy to withhold budgeting for the receipt of racetrack breakage revenue. However, as of FY2011, once police and fire service costs at the racetrack have been met, the next \$60,000 will be allocated equally to the Police and Fire Equipment Replacement Funds. This additional

funding will decrease the transfer from, and lessen the burden on, the General Fund. Any additional funds received for a given fiscal year will be brought to City Council to be designated after that year's annual audit is complete.

Projects currently unfunded and not included in the five-year plan:

- Rural Hill Cemetery Paving - \$195,000
- City Entrance Signs - \$75,000
- Randolph Drain Improvements (projects for FY2019 and 2020) - \$179,000

Discussion ensued pertaining to the proposed Rural Hill Cemetery Phase II expansion. City staff provided an analysis of the five-year grave sale history, review of the Cemetery Expansion Master Plan created in 2002, lot sale fees, grave opening/closing fees, and the Cemetery Budget. It was explained that both the maintenance and the open/close activities require a subsidy from the General Fund. None of the DPW Director time is allocated to the cemetery.

The combined cemetery operations for FY2018 is expected to have a shortfall of \$59,300. If Phase II of the cemetery expansion is approved, in 2022 the General Fund subsidy is expected to increase to \$75,000-\$80,000. Costs would continue to rise, but there would be offsetting revenue from both sales and open/close events. If the cemetery is not expanded, the subsidy is expected to rise to \$92,000 in 2022, which is the projected cost to maintain both cemeteries without any offsetting revenues.

Comments from City Council pertained to the actuarial support for the indefinite maintenance for the cemetery, the one-time revenue stream when lots are sold, creation of a new one-time revenue stream when new lots are created as part of the expansion, increasing lot sale and open/close fees, and the need for a viable plan for funding to sustain the cemetery for decades after all of the lots are sold. Cemeteries do not continue to generate revenue and the cemetery will need to be subsidized unless interest rates go up.

Options to consider included: 1) Sell no lots for two/three years until the City's financial position improves; 2) Look at endowment options; 3) Use the current perpetual fund for maintenance and create a new endowment fund with the revenues raised from new lot sales; 4) Change the ratio of revenue distribution; and 5) Determine if the perpetual fund needs to be in a municipal fund or if another legal scenario with a higher investment return is available.

An expansion plan will be brought to City Council at a later date. Further discussion is needed.

Refuse and Recycling Fund (page VI-1): The fund is divided into two basic programs: residential and commercial. This is an Enterprise Fund, which is designed to be funded entirely by the fees charged to the customers receiving the service.

Current Commercial Refuse Program rates are proposed to be increased by \$2 bi-monthly for restaurants and \$1 bi-monthly for retail food, churches and halls, and retail sales. No changes to the professional service or downtown residential classifications are proposed. A contract extension is currently being negotiated with Waste Management to extend their contract until June 2022.

The current contract with Waste Management for residential solid waste collection expires in May 2017. It is estimated that the residential waste collection cost paid to the contractor will decrease by 3.1% in FY2018.

Discussion and questions pertained to the rate increase for the commercial program. It was explained that the commercial is overspending its budget. This is a daily collection program versus a weekly program. This program also has additional labor costs for DPW wages, fringes, and equipment rental to clear the areas each morning. This is due to the users not keeping the dumpster area clean and users placing waste on the ground instead of in the dumpster. The rate increase should result in the commercial program breaking even.

Equipment Fund (page IX-7): 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. The operating budget is consistent with previous years. Proposed is the purchase of a light duty 4x4 pickup truck. Comments from City Council suggested the City investigate the feasibility of sharing higher priced equipment with other communities (i.e. street sweeper) or contracting out this type of service.

Downtown Development Authority (page B-1): The taxable value subject to DDA capture increased 2.5% from last year, generating an additional \$15,584 in captured taxes. The State is anticipated to reimburse \$30,000 to the DDA for the business taxpayer exemption from personal property with taxable values of less than \$40,000. The taxable value for the DDA's special levy increased 1.9%. However, the 2 mill levy is rolled back permanently to 1.8158 due to Headlee. Those two factors combined provide for an additional \$1,095 over the prior year.

The DDA, in cooperation with the City, will undertake the development of a new Strategic Plan for Downtown Northville. The Plan, when completed, will serve as a blueprint to help guide the future growth and development of downtown Northville.

Every few years, additional capital improvements are needed in the parking decks. DDA staff is working on a Request for Proposal for consultants to evaluate the two parking decks and develop a scope of work, prioritization schedule, construction estimates, and develop a maintenance manual for the decks. The DDA has a limited budget for the project and additional funding sources will need to be identified to complete these projects.

Discussion focused on efforts in Lansing to reshape how DDAs are funded.

DDA Debt Service Fund (page VII-7): Debt service requirements for FY2018 are \$172,355. The contribution from the DDA is equal to that amount to cover the debt service expenditures.

Parks and Recreation Commission (page C-5): The FY2018 budget was prepared with no change in the combined municipal contribution from FY2017 levels. Staffing levels have been adjusted from the prior year, including an overall restructuring of positions and responsibilities within the Department. It was also noted that the Department received notice that the grant application for Fish Hatchery Park was not selected. There are Wayne County millage funds earmarked for this project that need to be spent or will be lost. Further discussion is needed. Questions pertained to credit card fees and the proposed use of fund balance to fund legacy costs.

Parks and Recreation Capital Outlay Fund (page C-30): The FY2018 includes parking lot maintenance, roof replacements on the concession buildings at Millennium and Community Parks, office chair replacement for Hillside offices, purchase of new marketing displays, two scoreboard replacements, and replacement of a utility vehicle for the Parks Maintenance Department. Debt service payments to Northville Township for the Northville Community Center and Recreation Center at Hillside renovation loans for FY2018 is \$143,258 combined.

Discussion ensued pertaining to the cost to replace Fort Griswold. Strategic planning is needed as the cost is estimated at \$400,000 and some fundraising efforts may be needed.

Senior Adult Services Fund (page C- 35): Integration of senior programs and services with general recreation programming will continue in FY2018 in order to eliminate duplicated programs and have more effective use of Department resources. Facility rental opportunities are continually explored to help increase building use and revenue. Funds are proposed to be transferred annually to the Senior Adult Services Capital Outlay Fund to reserve funds for future building improvement needs. The FY2018 operating transfer of funds into the Senior Adult Services Capital Outlay Fund is \$20,000.

Senior Adult Services Capital Outlay Fund (page C-45): There are no planned improvements for FY2018.

Northville Youth Assistance (page C-48): Northville Youth Assistance is funded through a shared service agreement with the Charter Township of Northville and is on a calendar-year fiscal year. The current budget is approved through December 31, 2017. The Northville Youth Assistance operational budget shows an operating shortfall of \$5,430 for CY2018. Revenues are projected to continue to fall below operating expenditures through 2021, causing unrestricted fund balance to be depleted. Unrestricted fund balance is estimated to be \$84,035 by the end of 2020 which represents 56% of operating expenditures

Discussion ensued pertaining to plans to charge fees for higher cost programs.

Review of Proposed FY2018 Millage Rate: No changes were requested to the proposed FY2018 millage rate.

Millage and Headlee Override, and Legacy Costs Discussion

City Council reviewed the analysis of millage rates, Headlee Override, and bond issuance options provided by Staff. Also reviewed was an analysis on legacy costs. Discussion focused on:

- Explanation of required and non-required unfunded legacy cost contributions and the continued challenge to fully fund legacy costs.
- Any additional revenue gained from a Headlee Override could be used toward reducing unfunded legacy cost. There is concern with voters supporting a millage increase for something they will not “see” versus “seeing” an increase in services or improved roads. It was countered that the City does not have a choice in paying legacy costs. In the future, the unfunded liability obligation will need to be paid.
- The public is usually supportive of police, fire, and parks. Uncertainty of what the voters might support and if they consider roads and infrastructure to be a priority. The August 2015 road millage defeat indicated voters did not see roads as a priority.
- A Headlee Override question cannot state a specific purpose in the ballot question. Voter education would be crucial.
- Street improvements could be financed through a bond issue; this would still be subject to voter approval. Debt repayments can be levied on a tax bill and is not subject to Headlee rollbacks. Bonds should also include upgrades to the water main infrastructure; however, this would increase the bond amount needed.
- The 1997 street millage promised voters that the millage would fund street improvements instead of special assessments. Is this still a viable promise?
- What type of increase would have public support? Does the public want tangibles such as roads, water and sewer infrastructure improvements, or would they support an increase with an unspecified purpose and allow the city to determine how to use the increased revenue.

- Comments on how the school district would hire a firm that surveyed voters to see what they would support and what people perceived as needs, and hold town hall meetings to share results of what was learned. This is viewed as crucial for the success of any millage increase or bond proposal presented to the voters. The City will need to use all of its communication platforms to educate voters.
- If a Headlee Override is not sought, as the millage rate continues to rollback, the General Fund would need to be reduced. The City could also continue to spend the current street millage levied to improve a small number of roads each year.
- City Council will need to commit to advocate on any ballot question or bond proposal submitted to voters.

City Council consensus included having the City Manager research the cost to retain a consultant to conduct a voter survey, presenting this information to City Council for authorization, find out what can/cannot be supported, and plan from there.

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: 9:59 p.m.

Respectfully submitted,

Dianne Massa, CMC
City Clerk

Ken Roth
Mayor

Approved as submitted: 5/1/17