

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI
WEDNESDAY, APRIL 16, 2013 AT 6:00 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

Mayor Gatt called the meeting to order at 6:00 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Gatt, Mayor Pro Tem Staudt, Council Members Casey, Fischer, Markham, Mutch, Wrobel

ALSO PRESENT: Victor Cardenas, Interim City Manager
Carl Johnson, Finance Director/Treasurer

APPROVAL OF AGENDA:

CM-14-04-062 Moved by Wrobel, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the Agenda as presented.

Roll call vote on CM-14-04-062 **Yeas: Staudt, Casey, Fischer, Markham,
Mutch, Wrobel, Gatt**
Nays: None

PURPOSE OF SPECIAL MEETING – 2014-2015 CITY OF NOVI BUDGET

1. Overview:
 - a. Introduction
 - b. 2014-2015 Budget Overview/Highlights -
 - c. Multi-Year Budget
 - d. Budget Program Categories
 - e. Capital Improvement Program

Interim City Manager Cardenas said the goal of his presentation is to present this to Council, residents, and to provide a quick snap shot on the City website of what the 2014-2015 recommended budget looks like. He noted the process began in October with CIP submittals, surveys, early budget input, and departmental budgets. The recommended budget presented has no millage increases, 253 full-time employees, a 2.7% projected taxable value increase, and a 23.24% fund balance in the General Fund. The budget was developed around the newly revised strategic goals that were a product of the early input session. The acronym to Novi is how we know our strategic themes which are nurture public services, operate a world-class sustainable local government, value and build a desirable community, and invest properly and early. Major sources of revenue include property tax, licenses and fees, and state shared revenue. The portion the City takes is only 26% of the overall tax collection and remainder goes to schools, County, Parks, etc. The main goal of the budget is to address the capital needs of the City. The highlights of

the CIP program include expenditures by category where the majority goes to water and sewer. He said in this budget there is an opportunity to pay down existing debt early, as well as, payment in full of a bond in the near future, freeze up millage and to allow City Council to consider a future Headlee override or millage increase in order to provide flexibility to finance certain projects as they arise. In conclusion, he believes this budget maintains what the City currently has and what has been built. He thanked everyone who helped to put the budget together.

2. City Council discussion and decisions regarding the plan priorities:

Mayor Gatt thanked everyone involved in putting this budget together. It was no surprise to anyone that the Interim City Manager and newer Finance Director presented a first class document to the City Council. Mayor Gatt also thanked employees for their departmental input.

Member Markham thanked staff for the really great job in answering all her questions in preparation for this meeting. It was compiled very effectively. She liked the idea of getting ahead with pension obligations. Also, she noted we are in better shape, so now is a good time to make long-term investments in the infrastructure of the community and continuing to create, protect, and enhance the community with good public safety. She intends to use this as a learning process.

Member Wrobel thanked staff for all the hard work and inputting a number of goals established by the City Council. His concern is that the general fund balance is decreasing and he hoped it is something that can be adjusted so it doesn't continue to decrease. There will be discussions on items of whether they should be included or not. While investing substantial amounts on paths and sidewalks, he thinks in future budgets starting next year, more money should be put into roads and cut back on sidewalks and paths until the roads are in a better condition.

Member Fischer thanked everyone for his or her input, as it was a very comprehensive professional budget document. There has been a transition and he thanked Mr. Cardenas and Mr. Johnson for their efforts. This continues to be an exciting time with revenues increasing. While encouraging, we need to rein in and not undo what we did in the past. If we move too quick to fill positions or pay for capital projects, we won't continue to be in the good position we currently experience. He is concerned we spend a little more than we should be. He cited deficit spending for public safety. We have to invest in the City, but we don't want to go below the top of the range for General Fund. We are basically wiping out the \$3.7 million balance we had in 2012. That portion needs a little tightening up. We need to do a little bit more to make sure the City is in a good position today and in the future.

Member Mutch felt it was important to recognize the work of Mr. Cardenas, Mr. Johnson and their teams that made that happen. This budget reflects the Council goals and he was pleased with the document including long and short term goals. He was pleased with paying down debt. There is an opportunity to advance collect

on some items. The budget also addresses long-term liabilities. He was pleased to see we are taking steps to address it. The budget continues to invest in capital improvements, road infrastructure, sidewalks and pathways, parks, and playgrounds. It is important to many of our residents we continue to maintain and provide a high quality of services with a growing population. He appreciated members raising concerns of the general fund fund balance. One thing Mayor Pro Tem Staudt noted in the past, that the decisions made today compound over time. He doesn't think they need to make major adjustments to this budget, just strategic changes were necessary. He thought they have several areas to talk about as a Council.

Member Casey thanked the many staff that put the budget together. She felt it takes a special skill to make the budget understandable, to show where our priorities are, and to see where our money is being spent. She sees a lot of balance with infrastructure fixes, further investment in services that we provide including those that apply to staff. There were some thought provoking items such as future Headlee override and pulling ahead debt payments.

Mayor Pro Tem Staudt noted it was an excellent budget as always. He was happy with the document they received. He liked the use of the drain fund for paying down debt. He was still concerned about fund balance and believed the floor should be 22%. We need to make every effort to maintain that 22% floor and it is important to look at the dollar amount with a level of about \$7.5 million. He shares concerns about public safety fund balance eroding. Increasing millages and Headlee rollbacks are extreme things to consider and he would like to protect a portion of the public safety fund balance. Expenditures being spent last fiscal year and the proposed fiscal year for streets, pathways and sidewalks are the highest in the history of the City. It is important because of the increased millage passage and outside investment. He cited the Meadowbrook pathway over I-96 was a great improvement and felt we were fortunate to have it. Several years ago, we had drug forfeiture funds that built the gun range. It requires improvements and capital expenditures. He recommends that revenues generated from the rental of the gun range go into a special fund that will fund the improvements that are proposed. It will keep our commitment to the taxpayers that revenues won't be used from our fund balance to pay for that facility. The unfunded pension liabilities have to be addressed. We need to fully fund the pensions. As we move forward, it will require serious discussion about how to work with that and have a clear understanding of the true liability down the road. He also addressed the study about improvements to the DPS and Public Safety. He felt Council should remove engineering dollars until we understand this much more thoroughly. Money can always be reallocated, but he was not ready to have that in this budget. For the most part, this is a very good budget and we are well ahead of most communities in Southeastern Michigan. He hopes to see growth in the tax base, which will provide us with the additional revenue to do the capital improvements that, is needed in the future. We must depend on existing revenue sources.

Mayor Gatt noted this was his 11th budget. Looking back on the history when he was first elected to Council, we had so much money; we didn't know what to do with it. He didn't recall making the commitment not to use monies from the general fund budget to keep the gun range going, taxpayers got a great benefit from that building. Prior to that, all the officers had to leave the community in order to complete training and it was not a very efficient way to police the City. With regard to funding the gun range, he agrees to that for the upkeep, as it is a source of revenue. As far as the budget we have now, it is a pretty darn good budget. Most surrounding cities would die to have such a great budget. Congratulations to Mr. Cardenas, Mr. Johnson and staff. We are spending more than ever before on streets, roads, sidewalks, and pathways. Next year, he wants to see more money spent on roads. He understands it is too late to do anything for this season, but looking forward to next year, concentrate on roads and repair them the right way. Over the last few years, we had to lay people off in some difficult decisions. He doesn't want to go backwards and increase spending. With regard to long-term liabilities, we've taken great steps to limit those legacy costs and to protect the taxpayers. We are in fine shape and with some tweaking tonight, that will continue.

Member Fischer said the overall budget was the most in-line with Council's priorities and spending that he has seen in his time on Council. His concerns were in the operating portion of the budget which is the General Fund and Public Safety which is transferred into the General Fund and Parks and Recreation. He agrees on the comments about the future and amounts spent on roads and pathways. In the budget, \$8.7 million is being spent on roads. It is a great vision by Council for the residents. One of the items he brought up on the CIP Committee was funding of the Tim Pope Memorial Play structure this year. He was advised that a minimal amount of maintenance to the structure could afford a few more years of useful life and to use the funds for improvements to other parks.

CM-14-04-063 Moved by Fischer, seconded by Casey; CARRIED UNANIMOUSLY:

To delay funding of the Tim Pope Memorial Play structure which removes \$250,000 from the fund for a net return \$165,000 to the General Fund and provide \$85,000 to fund improvements at Ella Mae Power Park and Pavilion Shores.

Roll call vote on CM-14-04-063

**Yeas: Casey, Fischer, Markham, Mutch,
Wrobel, Gatt, Staudt**

Nays: None

Member Wrobel asked Jason Magnum, Director of Parks, Recreation, and Cultural Services, how much revenue is received in a year for a ride to Meadowbrook Commons, the Civic Center, and the Library for those who attend the activities. Mr. Magnum said less than \$20,000, but the rides would increase if it would be free. Member Staudt said a reasonable amount would be \$25,000 for that purpose.

CM-14-04-064 Moved by Wrobel, seconded by Staudt; CARRIED UNANIMOUSLY:

To include additional funds in the budget for an allocation of \$25,000 to provide rides to the Library, Meadowbrook Commons and the Civic Center at no charge for those who qualify to utilize the transportation service.

Mr. Johnson said it would be a subsidy from the General Fund. Mr. Magnum said it is for any ride to the Civic Center, Library, or Meadowbrook Commons and not just for rides to activities. Member Fischer had hoped for feedback from staff on the expenditures in the future. Member Markham asked who uses the senior transit. Mr. Magnum said it is those 55 and older or have a disability and the rides are scheduled in advance.

Roll call vote on CM-14-04-064

Yeas: Fischer, Markham, Mutch, Wrobel, Gatt, Staudt, Casey

Nays: None

Mayor Pro Tem Staudt thought the revenues should be used for the capital improvements to the gun range by creating a special fund. Member Markham also supported this and it would distinguish the finances for the gun range. She believes in shared services among local governments wherever possible. She would like to see the costs to run the gun range be paid from the revenues of the people who use it. She would like to see what we are charging other agencies reflect what it costs to operate the gun range. Mayor Gatt said the intent of the gun range was to have the officers train within the City. He hopes they get the revenues to fund the gun range, but wants it to continue whether or not it has enough to cover the expenses. Member Markham said the drug forfeiture moneys built the gun range and it is a good benefit, but felt when there are shared services, it is the responsibility of Novi to market that feature to outside communities and to draw as many law agencies as possible. Member Fischer asked whether the transfers from the General Fund would be required for our own use and whether indirect costs would be funded out of that fund. He envisions revenues used for capital costs only and not everyday maintenance. Member Staudt said no to both questions. He would like the capital expenditures to the building paid by this fund and not the everyday expenses. He asked the Finance Director if it was applicable. Mr. Johnson said a single ledger account is already set up for revenues. There is an account called a Capital Project Fund that could be used and the funds will carry forward.

CM-14-04-065 Moved by Staudt, seconded by Wrobel; CARRIED UNANIMOUSLY

To create a special fund to capture all revenues from the gun range including money from direct agencies to be placed in the special fund for the sole purpose of renovations and maintenance to the gun range.

Roll call vote on CM-14-04-065

**Yeas: Mutch, Wrobel, Gatt, Staudt, Casey,
Fischer, Markham**

Mayor Pro Tem Staudt asked to approve removal of \$547,560 in Capital Improvements Project #151 from the budget to defer the discussion until after Council has determined the long term goals. He was looking for more cost alternatives for Department of Public Services facilities improvements. Member Fischer thought it should be added to the fund balance from where it was originally allocated. Mr. Cardenas said it is 60% General Fund and 40% Water & Sewer Fund. He said \$328,200 would go back to the General Fund. Member Casey said she would support it temporarily with the expectation that Council will have the discussions to be able to make the changes soon. Member Wrobel agreed, although we all agree we need new facilities, they were given the study only a few weeks ago which is not enough time to digest the information and to find alternatives to the ones presented. It is premature until we look at every opportunity to see what is out there and what our options are.

CM-14-04-066

Moved by Staudt, seconded by Wrobel; CARRIED UNANIMOUSLY:

To remove \$547,560 in Capital Improvements Project #151 from the budget to defer until Council discusses capital expenditures for phasing in the project in order to look at lower cost alternatives.

Roll call vote on CM-14-04-066

**Yeas: Mutch, Wrobel, Gatt, Staudt, Casey,
Fischer, Markham**
Nays: None

Mayor Pro Tem Staudt asked to remove the new Human Resources and Engineering positions from the budget. Finance Director Johnson was asked the amount for the new Engineer which was around \$110,000 including fringe benefits. The General Fund dollars would be 34% and 66% from the Street Funds to pay for the position. The General Fund savings is \$110,905. In these funds, the DPS workers get allocated 100% to the General Fund and then as they are utilized, they are billed out to other funds. Approximately 2/3rds was slated to go to the Major and Local Streets or Municipal Road Fund as they are used. The reimbursement revenue was not budgeted because it would have been budgeted later. Member Casey wanted to confirm the Engineering Position was the non-motorized position. This was a position that was intended specifically to help get the roads done with the passing of the millage. Mr. Hayes said this person would perform a variety of tasks. That position would primarily be taking over all the non-motorized design functions associated with our Engineering. We currently have one civil engineer that does everything. It would have taken some of the responsibilities and met expectations to complete projects on time. Member Mutch said he would not support the motion because right now the current engineering staff was trying to juggle a number of responsibilities, which have increased significantly due to the millage increase, which the voters approved last year. That has increased the

amount of money that is being spent on neighborhood roads and other projects to the degree that, if we don't have the position in place, it will hinder the ability to complete the projects. He noted that removing this position is missing an opportunity for our community to continue to secure grant dollars for projects. Also, we have a non-motorized plan that City staff is asked to implement and they have been doing a great job. There are areas of the plan that haven't been done because we don't have the staff to do it. He understood the intent to reduce operational costs going forward and realized it was important. This budget asks to add five positions, but in this regard, the position is justified and a case has been made for it. He thinks it would pay for itself going forward. Securing one large grant would go a long way to help pay for this position.

Member Wrobel said he hesitates to add permanent staff and asked Mr. Hayes if they can get a contractor to do the work. Mr. Hayes said it is critical the person knows how the City operates because to have a consultant come in and be brought up to speed in a short period of time, was not a reasonable expectation. The non-motorized side includes a number of tasks which includes right-of-way acquisition. It is not something as easy as a skill set that a consultant would have. It needs a City staff person who is imbedded in our Engineering Division.

Member Markham said long range, this community needs to address transit issues. We have too many cars on the roads. We have a substantial portion of our population that is either aging or are non-drivers. She saw this position as being there for the long term as we look at modernizing our transit operations in this community. We need to look at where we are going and thought an engineer devoted to looking at transportation in general was necessary for this community.

Mayor Gatt asked how much was spent on Engineering Consultants. Mr. Hayes said he didn't have an accurate figure but the total amount of Capital Projects completed in a calendar year would be about \$6 million. Engineering fees are about 15% and would calculate close to \$1 million dollars in consultant fees for just capital projects. There are consultants that do the field inspection work on private development sites. Mayor Gatt said his point was if they spend over \$1 million on consultants, he didn't see a problem with the motion.

Member Fischer wanted clarification of the funding sources. He understood that part of General Fund is that the revenue is not necessarily budgeted for the transfer. Mr. Johnson said they couldn't specify because of the timing of the hire, which projects, or when this person would be up to speed to be able to allocate their time to the projects. Conservatively, they didn't budget any reimbursement. It may have been mid-year before this position would have been allocated and with the HR Specialist as well. Member Fischer said he would support this motion because these positions are long range. In the last few years six people have been added. He remembered a conversation with Administration to choose the positions carefully because they cannot continue to add positions at this pace. It is a strong message and we need to be clear that we can't add in a one year vacuum. We can always make changes as the year progresses.

Mayor Gatt said it is good and bad in a way because 8-9 years ago we were building a lot and we have more engineers now than we did then. A memo was sent from Mr. Cardenas that there will be a compensation study for present employees. He said there may be raises in the future. He said we have to hold back on staffing for the present employees to be treated the way they want to be treated. He doesn't want to undo the hard decisions and hard work they have done in the last few years.

Mayor Pro Tem Staudt asked if more money is given for roads next year, will they be able to get the projects done with outside staff or the staff they have. Mr. Hayes said no, that is not the case. There will be a slowdown in production without this position being filled. He said they are already at capacity now with a number of projects that are being done. Consultants can be added, but the choke point is the project management that is done in the engineering office as part of the design phase. Until that gets addressed, he didn't see being able to increase production any more than where we are at right now. Mayor Pro Tem Staudt said maybe one of the issues we have with this position is the title of the position that it is a non-motorized position. He said if they come back to Council in a few months and explain what is needed exactly to make sure all the road projects that we want to get done in the next two to three years, will get Council to reconsider this. Mr. Hayes said perhaps the title is a misnomer. All the non-motorized responsibilities that are being done by one engineer will be shifted to this individual. The individual would also take on additional work load on roads and sewers.

Member Mutch said that is was silly to argue over the semantics of the job title and whether the position is appropriate for the budget. He thought Mr. Hayes made his point. Positions are being eliminated selectively. It seems positions are being chosen because Council members don't like a job title. It didn't make sense to him. He said they need to revisit this issue.

CM-14-04-067 Moved by Staudt, seconded by Wrobel; MOTION CARRIED: 4-3

To remove the Human Resources (\$65,758) and Engineering (\$110,905) positions from the budget.

Roll call vote on CM-14-04-067

Yeas: Wrobel, Gatt, Staudt, Fischer

Nays: Casey, Markham, Mutch

Mayor Gatt asked Mr. Cardenas to explain an additional web site to the City of Novi. Mr. Cardenas said it was an innovative idea that developed in discussions with Novi Schools. It is an attraction tool to help the end users where people wanting to relocate to Novi can learn more about the schools. Mr. Cardenas said they have talked about it for a couple of years with representatives from the school district. The idea is to integrate video components. We haven't seen anything like it in the country. We bid the project out. It is not something our current web site host can provide us. It is a separate tool that would be linked to the School's and City's website. Hopefully, it will

get more residents to the City and children in the school district. Mayor Gatt asked if they had a hard time attracting people to the City now. Mr. Cardenas said no, they are not.

Mayor Pro Tem Staudt said we have several web sites and as a technology professional, his preference would be to integrate this into our current site. Having multiple and different web providers for all these different services is something that we can't continue to afford and what is the return on investment. In this case he wasn't sure the return on investment is significant enough to justify going down this path. In this case it would have been a good idea to have a demonstration at some point and seeing if it is worth the effort. He would like to remove it from the budget.

Mayor Gatt confirmed the current provider did not bid on the project. He will support the motion to remove it from the budget. He prefers they move forward with Municipal Web so we will not have another different web site. That would be his preference.

Member Fischer said he's not concerned about another web site. It may be a hindrance but people don't go to the web site and type in addresses anymore. We can't ask for demos for every line item. From a goal setting perspective, he would be okay with this innovation. It is a small investment of \$35,000 for a possible small pocket of a population overseas that has found Novi and sees the amenities we have. Residents could use this tool also to find the City's amenities. It is a reasonable request and in line with the technology and innovation he supports in the City. He will not support this motion.

Mayor Gatt said he didn't think it was a line item and thought it as a new program for the City. His concern was that they are talking about our partnership with our Novi Schools and we live in an area where there are other school districts. He could support if all the school districts were involved. He thought they should delay this and rethink it.

Member Wrobel agreed and would like to see all the school districts involved, also and since Mr. Cardenas said we don't have trouble attracting people to the City. At this time he didn't see a great urgency at this time and would revisit it.

CM-14-04-068 Moved by Staudt, seconded by Gatt; MOTION FAILED 3-4:

To remove the online web attraction tool from the budget partnering with Novi Schools.

Roll call vote on CM-14-04-068

Yeas: Gatt, Staudt, Wrobel

Nays: Casey, Fischer, Markham, Mutch

Member Mutch said he didn't have any specific items to discuss. He did want to address the comments made earlier by Council members about some of our infrastructure spending. He wants to make clear to our residents that we spend a significant amount of money on roads. The City Manager shared a list of expenditures

for a variety of road way projects, sidewalks, maintenance, etc. When the numbers are tallied of what is in the budget and what is projected in the next couple years, there will be \$36.6 million on road construction and pathway expenditures is \$3.7 million. We are spending almost ten times as much on neighborhood roads, City streets, and major roads in the City as we are spending on sidewalks and pathways. What is projected over the next two years, funding for roads is going to increase while funding for pathways is going to decrease. In 2016-2017, spending will be to the levels before the millage increase was in place. If any resident at home has concerns about the amounts spent on sidewalks and pathways, there is less spending on sidewalks and pathways. He didn't want someone to get the impression of wildly spending money on sidewalks and pathways and to get the facts out there, so residents could judge it accordingly.

Member Markham wanted to comment on road funding in general. She explained that a lot of roads are in disrepair, but not all of the roads in Novi are municipal roads. There are State and County roads we do not pay for. There is discussion with the State to provide funding to improve our roads, but she thinks there is a lot of work at the State level. She agreed with Council members that they are doing the best to fund improvements to roads and she would encourage the residents to contact the people representing them in Lansing to remind them how important it is to help the local communities to fund our roads.

Mayor Gatt noted they are ready to present the budget for a public hearing and cancel any future budget meetings.

Audience Comment - None

ADJOURNMENT – There being no further business to come before Council, the meeting was adjourned at 7:40 P.M.

Robert J. Gatt, Mayor

Maryanne Cornelius, City Clerk

Transcribed by Jane Keller

Date approved: May 12, 2014