

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI
MONDAY, APRIL 20, 2009 AT 6:30 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

Mayor Landry called the meeting to order at 6:30 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Landry, Mayor Pro Tem Gatt, Council Members Burke, Crawford, Margolis, Mutch, Staudt

ALSO PRESENT: Clay Pearson, City Manager
Pamela Antil, Assistant City Manager
Kathy Smith-Roy, Finance Director

APPROVAL OF AGENDA

**CM-09-04-054 Moved by Gatt, seconded by Margolis; CARRIED UNANIMOUSLY:
To approve the Agenda as presented.**

**Roll call vote on CM-09-04-054 Yeas: Gatt, Burke, Crawford, Margolis, Mutch,
Staudt, Landry
Nays: None**

PURPOSE OF SPECIAL MEETING – 2009-2010 CITY OF NOVI BUDGET

Mayor Landry said the proposed budget was contained in two binders and if they were to hold a vote, it would take five votes to pass the budget. He said as they had their discussions, members of Council could vote to take something out or add something or in some matter change what had been presented as the proposed budget document. If someone made a motion after discussion, it only required four votes to make a change to the proposed document. Mayor Landry said they could not pass the budget tonight because a Public Hearing was required so it would be adopted at a Monday night meeting of Council.

1. Overview

a. Introduction

Mr. Pearson noted this process started with a special session in January and with another session related to Signature Park. He said Council has had the budget document for 2-1/2 weeks and by the questions asked he knew they had become comfortable with the document and understood what it contained. Mr. Pearson said it was a representation of Council's expectations and goals and was a conservative and balanced budget. He said it also reflected the goals of the residents who had volunteered for various boards and commissions. Mr. Pearson said the budget was conservative in many ways and balanced financially in terms of dollars and cents and also balanced in terms of what they'd try to get done. He said the City of Novi was a full service organization and carried out Police and Fire, Parks and Recreation, Public Services, etc. and was not an organization that could chose to be in one business exclusively. However, they could prioritize among those but they had a lot of responsibilities, which were reflected in the budget document. He said the financial climate they were working

in was not as clear as they would like. However, he thought there was documentation to support that while Novi was not immune to the financial climate, it was buffeted. Mr. Pearson said the Metro Times Newspaper had an article that cited Novi as having the lowest foreclosure rate in the metropolitan area. He said the Oakland Press reviewed declining property values in Oakland County and Novi had one of the lowest city decreases in taxable value. He said the overall tax base was solid because of diversification of the tax base. Mr. Pearson said Novi was 62% residential and the balance was non-residential business and they encouraged, supported and tried to grow that for many reasons. He said the State Shared Revenue had been cut in terms of what the State allocated but what was left was protected by the State constitutional aspect and it was budgeted; however, they pulled back a little to be on the safe side. Mr. Pearson said they had gone into Fund Balance and recommended the high side of the Council's adopted range at 17 ½ %. He said they had not tapped the full availability of the General Fund's property tax levy ability and left \$400,000 on the table in terms of what they could, by resolution, adopt in the budget and increase revenues by that amount. They had chosen not to because of everything else in the package. He said they had been responsive to the drop in permit revenue and had made reductions in the workforce in Community Development. He said they had also been responsive to other positions that became open through attrition and retirements in the organization and chose not to refill those with full time positions. Mr. Pearson said they were committed to give the staff they had the resources, technology and training to do their jobs as they were asking more and more of staff. He said if they were going to expect more, they needed to do this and it was in the budget document. He commented the audit document Council received in November reflected actual dollars and results that were revenue above expectations, and estimates and expenditures that were below. Mr. Pearson said that didn't happen by accident because the fact was the staff was making purchasing decisions everyday and all kinds of interactions everyday that make or break the budget document. He said staff had delivered year after year actual results in the audit that were above expectations. Mr. Pearson said they were not recommending any non-public safety vehicle replacements and were re-allocating the vehicles they had to the best spots and where they needed to be. He said they could do this for a year but it was not something they could use as an ace in the hole year after year or they would begin to suffer maintenance costs, etc. Mr. Pearson thought the whole package would do what Council said they wanted to get done.

Mayor Pro Tem Gatt commented he was proud to be a member of this team and noted Novi was still doing very well. He said this budget maintained all the public services the residents came to expect and demand and they were doing it without a reduction in the work force. This budget did not increase taxes to the residents and Council had not increased taxes for many years. He said this budget showed no increase in full time staff and with every vacancy occurring in the City, Mr. Pearson would sit down with his staff to see if the vacancy needed to be filled. He said every goal Council discussed in January had been addressed in the budget without an increase in monies, which was amazing. Mayor Pro Tem Gatt said they did have to dip into the Rainy Day Fund but still maintained a Fund Balance of about 18% and the Fund Balance was the people's money. He noted there would be a continued decline in revenue for next year and he would look to Mr. Pearson to cut expenditures. He suggested a quarterly audit to see where they stood to make adjustments quicker, if necessary. He said Council would look to Mr. Pearson and his staff to take all the steps necessary to cut operating expenses even more to balance the budget next year. He thanked everyone for working to get information to the Manager's office.

Member Crawford said she particularly appreciated all the narrative information that had been given to her so she could get the big picture. She said she had read through every single line item and also appreciated having the questions and answers ahead of time. Member Crawford said when the additional information went out it helped her answer questions she might have had. She said she had no particular questions and thanked the staff for making a lot of decisions that they didn't have to make before.

Member Staudt said under normal circumstances the budget would be very easy to deal with very quickly and it seemed to be very fiscally sound. However, these aren't normal circumstances, but he thought the budget presented would serve them very well for this budget year. Member Staudt said he was deeply concerned about future budget years due to diminishing revenues. He thought it was something they would face for the next two or three years, and they needed to make decisions about how they would deal with the outcomes of those reduced revenues and prepare for 2010. Member Staudt felt there was virtually no chance that in the 2010-2011 budget they would not have to use a significant portion of the Fund Balance to fund operations. He said the only question was how much. He thought the budget was very well done and reflected economic times in both revenues and costs. He thought they would be well served this year but it would be a real significant issue where they went in the future.

Member Mutch thanked the staff for the budget preparation especially having the budget on-line early on in the process for the residents. He said in terms of this budget one of the things he would focus on was sustainability. He asked how they would be able to sustain the community at the levels they were accustomed to. Member Mutch said they had been very fortunate to have the necessary resources in the past and wondered how they would meet all the expectations of residents and businesses in the future. He said, for him, one of the key things of a budget was that it reflected the priorities of the residents and the community. He said this budget attempted to meet all the goals set by Council and some of the needs that residents had expressed. He felt there were some areas that could use some adjustments to better reflect that, and he would raise those when in general discussion. He said the key numbers, in this budget, he would focus on was \$27 million and \$29 million. He said the \$27 million was the revenue that would come into the General Fund and \$29 million reflected expenditures in the General Fund, which were generally day to day operational costs. Member Mutch said \$500,000 to \$1 million represented the General Fund revenue decline next year based on projections from the staff. He said there were two gaps they were looking at. One, was operational costs that were \$2 million higher than what revenues were brought in this year. He said then, looking at next year, another \$500,000 to \$1 million in the General Fund lower revenue, which would have to be made up somewhere. He said it might come from Fund Balance, operational reductions or staffing reductions and most likely would come from all three. He thought it should be a focus for them in the budget discussions because they had seen what happened, in the past year, when revenue sources dried up. Member Mutch said they watched the Building Department permit fees go from millions of dollars to less than a million dollars. He said when they had done a fiscal analysis they knew this was coming but thought it would take about three years. He said he predicted it would happen this year and it did with major reductions in staff rather than through attrition. He said they couldn't justify keeping people in those positions when there was no work for them to do. Member Mutch said the concern he had from a sustainability viewpoint was if they looked ahead to next year's budget, and projected out General Fund revenue of \$26 million or \$26.5 million and were

currently spending \$29 million on day to day operations, could they sustain that for the long term. He said one of the key information pieces they didn't have was a fiscal analysis. He felt the previous fiscal analysis was woefully out of date. He said he needed to have the information going forward to know that as they approved this budget and build in operational costs, it would continue beyond this budget year and would be sustainable. He wanted to know next year's budget could be done without having to spend a significant amount of Fund Balance. He said while the money was sitting there it gave them a lot of options such as not having to raise taxes, keeping the credit rating up and being able to handle significant expenditures that might come up. He said his concern was they might have to spend out of Fund Balance or look at service reductions that would impact the community in a way they had not seen yet. Member Mutch said having some projections would show how spending would continue two and three years out. He thought it would give them a lot more comfort that the decisions being made now wouldn't put a future Council in a position to make tough choices that this Council should have been tackling. He said million dollar reductions should not be made in a single year and he didn't know what the right balance was for this budget. Member Mutch said if they were bringing in \$27 million and spending \$29 million on operations, how much of that could be reduced in one year would be a good question to ask and to answer. He realized they would not be able to bring down expenditures until they were even, but thought they needed to make an effort towards addressing that gap because it would continue forward into next year. He said one of the things they addressed and adopted this year was that Council wanted to have a multi-year approach to budget documents and financial discussions. He felt without having that at the table, at budget times, they weren't meeting that goal. He said he knew the issue of the Signature Park millage and whether it would be adopted or not might affect the numbers. However, from his viewpoint, the revenues and expenditures were already established. They knew how much the Signature Park millage would raise, how the money would be spent over the next couple of years and how it affected the other funds. Member Mutch said they already knew how much they thought they would spend this year and were looking forward to the next couple of years. He thought they could pull that information and provide it to Council so they could make an informed decision. Member Mutch said he wanted a better understanding of some of the other special funds in terms of the Fund Balances they had allocated. He said the Police and Fire millage was projected to transfer about \$3 to \$3.5 million from the Police and Fire millage over to the General Fund. He said in previous projections provided to Council that was around \$4.9 to \$5 million, so that was \$1.5 million that would have, in past years, come over to the General Fund that was instead being left in Fund Balance. He said the purpose of the fund was to provide a cushion so that they could address some Capital cost down the road. However, \$1.5 million was a big gap and it was \$1.5 million not coming into the General Fund and he needed to have a better understanding of why that was. He said another was Council had set aside a significant amount of Fund Balance for the Major Street Fund and an explanation for that was the Federal stimulus projects, which were about \$1 million plus. He said he needed a better understanding of why that much money had to be set aside because all of the Fund Balance was a transfer over from the Municipal Street Fund, \$800,000 plus. He said those were funds that were not available for other projects and he needed to know how they arrived at those numbers and how they were selected. Member Mutch thought Council should also consider paying off legacy costs the City had. He said in past budgets they had put money towards retiree health care, liabilities that the City had, and it had always been treated as if there was left over money and address it. He said the last actuarial study showed they had made significant progress

towards meeting that long term liability. However, the only problem was that the study was done at the peak of the market when the value of their investments were at their peak. Member Mutch said they had seen, in the retirement funds, those investments had fallen off significantly. He said now was the best time for them to be investing because they would be getting in at a time when investments were fairly low cost relative to where they hoped they would be in the future. He said an investment made today had more value than the money put in a year or two ago, because those investments would grow over time. He said he would want to address that with some of the existing Fund Balance if they had no other money in the budget, because he thought it was that important to the City and the long term obligations they had. He said one thing they had seen from older, established communities was that legacy costs would kill them in the long run. He said they had been fortunate in Novi to get a handle on those and in the current budget they were paying 100% of current costs but he thought they should be aggressive in addressing those long term costs every year. He felt they needed to pay the current cost and also keep biting off a piece of the long term obligation they had.

Member Burke noted as he read through the budget he found it was very clear, informative and lean. He thanked Administration for putting together such a comprehensive package. He said it appeared to be a pretty lean document.

Member Margolis felt this year was different and every year they heard the sky was falling and they were eating through Fund Balance. She said three years ago the estimate for Fund Balance was \$6.4 million and it came in at \$11.5 million. The following year, after hearing the sky was falling, the Fund Balance came in, in the audit, at \$12.4. She thought they needed to be careful when talking about expenditures being over revenues because they build up money in Fund Balance because the staff saved money through the year giving them extra money to budget the next year. Member Margolis said she thought their job as a Council was to set the goals, and the process they used worked very well telling the staff where they wanted to go. She said they should also go through the budget with a fine tooth comb but not line by line and make sure the budget made sense, and where they had questions that they got asked and answered in a thoughtful way. Member Margolis said this budget reflected a reduction of 12 positions but Council didn't have to do that because the staff and the City Manager were watching and realized they had to pull back and did so even before they came to this budget time. She said they made Council's job pretty easy when it came to this point. She said she was waiting for answers on Police and Fire and Fund Balance and believed funds needed to be spent in the year they were brought in. She said her understanding was that there were Police and Fire equipment needs going into the future that were needed for those funds and she would be interested in seeing that as they went forward. Member Margolis commented on the idea of multi-year budgeting because they talked about it at goal setting and there was disagreement on Council about it. She said the problem with multi year budgeting was no one knew what was coming and there were so many unknowns even for the coming year. She said going two years down the road seemed like an exercise in futility for the staff and not a good use of their time. She said a comment was made about the fiscal analysis and that the numbers for this year were woefully incorrect. She said a fiscal analysis had to be done, and they had to look at it but they couldn't predict that far ahead especially in this economy. Member Margolis said she had been a huge proponent of putting money away for legacy costs. She said she wanted to comment on the fact that they were only paying for current uses because they really were not. The way the Health Care Fund legacy cost worked was

they were putting away money now for the employees who were working now to fund their health care in the future. Member Margolis said it had to be clarified that that was happening. She said they had a little to make up in terms of employees where they didn't do that in the past and they had to keep that in mind but they were doing that and the audit statement said they had made some huge gains. She said they were reducing the number of people who would need retiree health care, and newer employees were contributing current dollars to retiree health care. She said she believed economically they were in a spot, and the Administration was predicting a probable drop in property tax revenues of about a half a million to a million dollars. She said last year when they approached budgeting about the Fuerst Park, Council decided at budget time to wait on some of those expenditures until the audited statement came back. She said normally when the audited statement came back they ended up with additional money in Fund Balance. Member Margolis said one of the recommendations, since they were thinking that next year they might have this kind of trough in the revenue, was that Council and Administration would look at the half a million to a million dollars worth of expenditures that Council could defer, and make a final decision on it when the audited statement came back. She thought it would give them some time and would allow them to accomplish what they wanted to do, but hold back a little to see how the year continued. She said she had a few other questions about police and fire equipment and what the Administration would recommend to defer until later in the year when they were clearer about what was going on with revenues.

Mayor Landry noted their direction as legislators was different than the policy they set. He said "the sky was not falling" as Member Gatt said. He said Novi had foreclosures and decreases in property tax values but they were less than anyone in the metro area. He noted how the taxable value decrease was the lowest in Oakland County. He said it happened in 2008 because Novi had an increase in non-residential by \$50 million and that happened because several years ago Council put the brakes on residential development when they made zoning decisions because they felt it had to be diverse and engendered OST property. Then they made an economic development effort. Mayor Landry said the City capitalized on their position and obtained ITC, Ryder, Providence Hospital and the mall. He said they wooed several other corporations from many other countries and had capitalized on their position and it had paid off, because it was adding to the revenue side of the equation. Also, as Member Margolis stated, year after year Administration and staff spend less than they said they would spend and were disciplined enough to not spend it just because it was allocated. He said several years ago Administration told Council they needed to add staff to the Building Department and not to worry because when the revenues went down they would cut them. Then it happened just like they said and some positions were lost to attrition and some positions had to be cut, which they knew about five years ago. Mayor Landry said Fund Balance was at 17.5%, and this was the second year of the increased 14% to 18% Fund Balance, which was 12% before and it always brought in more than they said it would. He said in the second year they were ½% off of the maximum. He said, as Member Margolis had said, it was the people's money and it couldn't be hoarded, they paid the taxes and deserved to spend it but they were still at 17.5%. Mayor Landry said another thing they couldn't forget was there was \$400,000 in untapped millage that Council could levy anytime they wanted to. He said since he had been on Council they had the ability to bring in more without a vote of the people and they had never done it. He said they had room left in the millage. Since 2001, Council had never levied more millage without a vote. He said they got a grasp on legacy costs several years ago and had taken measures in labor negotiations and moved from Defined Benefit to Defined

Contributions, asked the employees to contribute toward health care costs and had made sound financial decisions that were paying off, which was why foreclosures were down in Novi and property values were maintaining in Novi. So, the sky was not falling and Novi was in a good position. He said they would make prudent decisions and look at both sides of the equation, the expenses and revenues. He said with respect to this budget when looking at the budget in these economic times they were addressing the big three, roads, public safety and water & sewer. He said infrastructure and major roads were basically economic stimulus dollars. He noted they were looking at Nine Mile Road, two projects, and Meadowbrook Road, two projects. He said what else was amazing was this budget included \$1.6 million toward neighborhood streets, about \$1.1 million on the streets and some on the new system to evaluate how to address the streets. Mayor Landry said the Road Bond was in 2000 and it was supposed to be five years and here in 2009 Council was still putting over \$1.5 million a year into neighborhood streets. Mayor Landry said regarding Water and Sewer, the SCADA, Supervisory Control and Data Acquisition System, Phase I last year on the sewer and Phase II this year on the water. He said it was so they could be better at what they do and could now remote monitor the systems from offices and field services, instead of having to send people out there to check on them. He said this budget had \$134,500 for non-motorized pathways. He said for Police vehicle replacements, there would be seven marked vehicles and three unmarked vehicles. He said they were required by law to do this after 80,000 miles and it was being done with forfeiture dollars. He said they were not ignoring these things but were wisely using the money they had and wisely using the forfeiture dollars they had. Mayor Landry said the first question a resident might ask was what they were going to do with Grand River and Novi Road. Mayor Landry said neither one of them were City roads and they couldn't fix them because they were not Novi's roads. He said Grand River between Novi and Meadowbrook was a County road and Novi didn't have jurisdiction over it. He said they had begged the County to fix Grand River and Council did have to make a minor contribution with the Tri-Part type dollars and they were doing their part. Mayor Landry thought they were doing well and had a track record of doing well and agreed with Member Margolis that one way to deal with the anticipated 2010-2011 Budget was to allocate the dollars, push off the spending to the third or fourth quarter and see what happened when the audit came back. Mayor Landry said the audit comes back and always showed extra dollars because the staff spent less money than they were allocated. Mayor Landry said budgeting was half the job and the other half was raising money. He thought Member Mutch was correct and they should emphasize the difference between \$27 million and \$29 million. He said one solution was to cut expenditures and the other was to increase revenue. He said they could control that if they expended their efforts on economic development. They needed to get these businesses into Novi with all the things they were doing to attract them so the make up of the City would be what was needed to attract these tax paying businesses. He said he was talking about the park millage and the zoning decisions so they could be in a position to raise revenue. He said as long as they did both of those they would close the gap and would be just fine. He said Administration did a wonderful job with the budget and he was very pleased.

Mayor Pro Tem Gatt asked about expenditures set aside for the 50's festival and whether there were any more line item entries they were sure they wouldn't need. Mr. Pearson said that was the only one.

**CM-04-09- Moved by Gatt, seconded by Margolis; WITHDRAWN:
To put the \$20,000 set aside for the 50's Festival into the**

CDBG line item for home repair.

DISCUSSION

Mayor Landry asked how much the HCD Committee requested. Mr. Pearson said they had recommended, and it was included, to pay the County back the \$30,000 for the Sandstone property. He said they had bought the land with CDBG monies and had to convert that so they had to pay them back and the City had a three year payment plan. He said they were suggesting in the budget to advance pay that so that part would be taken care of and the only question was whether there was additional need beyond that. He commented they had taken it up a level with this recommendation and the suggestion was to take it up another \$20,000, but he needed to check and see if they could digest that.

Mayor Pro Tem Gatt said \$20,000 was not a lot of money and he would keep the motion on the table.

Mayor Landry said the money was allocated to Public Works, in-kind services, and now that the Festival was not going to be held, the money would be put towards CDBG. Mr. Pearson said one of the reasons they didn't directly do the General Funds towards that program was City purposes. He said they were able to get around that because of the CDBG payback and were able to get more money into the program because it legitimately went back to the block grant program. But, if Council recalled, when this request came up they said there was a legal opinion and they couldn't give General Fund monies towards that program. So this would be going back to doing that. Mayor Pro Tem Gatt said he would withdraw his motion. Mayor Landry asked Mr. Pearson to send Council a written report on what the concerns would be if they were to take extra dollars in this budget, and put it toward the home program, the CDBG. Mr. Pearson said a response would be ready this week.

Mayor Pro Tem Gatt commented they were going to wait for a report, but would pass the budget before the opinion came back. Mayor Landry said no, because they would get an answer to this within a week. Mr. Pearson said Council would have a report tomorrow.

Mayor Pro Tem Gatt shared his philosophy regarding Council's role at the Council table. He said they hired the City Manager and he hired a staff. He thought they should look at everything but not with a fine tooth comb as Member Margolis said. He said all he cared about was the City Manager doing the job, were the citizens happy and was the City moving forward and as long as those things were happening, he thought Council was doing their job. Mayor Pro Tem Gatt said he came almost to pass the budget as presented. He didn't think there was a lot of wiggle room and thought it was an excellent budget considering the times.

Member Crawford echoed Mayor Landry's statements about economic development. She really thought the answer was to bring more business to the City and she wholeheartedly agreed that they should continue what they had been doing. She said if there was any kind of new strategy out there they could develop to do more in the area of Economic Development, she thought that would be the answer. Member Crawford said she hoped they didn't let up on trying to help the businesses that were already in Novi to stay and to be more productive. She believed that was what kept the City going and what made Novi different from surrounding neighbors.

Member Staudt noted he had spent about 25 years serving on an untold number of non-profits. He said his role in that was very similar to that on City Council, which was that he was a fiduciary to the donors and in this case he viewed himself as having the ultimate fiduciary responsibility to the taxpayers. Therefore, he thought everything was fair game to discuss. Member Staudt said this was one of the easier things because while there were a lot of items in the budget, it was a pretty fixed budget with not much discretionary spending. He noted there were far fewer variables in this than in private business. He didn't think they could pass a two year budget and thought there was a political climate that changed every year and it changed every two years with members. He said they wouldn't want to cross election years with multi year budgets. He didn't think the sky was falling and thought Novi was doing pretty well. He noted the City's Forfeiture Funds would be gone soon and surpluses were shrinking. He asked that, as a Council, they look out two or three years and plan current events with an eye to the future. Member Staudt commented he was uneasy about the variables they couldn't control. He said they couldn't control revenue, but they could do a lot of different things such as get new businesses, raise taxes and raise fees, but on the flip side cutting costs was usually the easy thing to do. However, in this case he didn't think there was anything easy. He said in the business world they talk about cutting into the muscle; they could cut the fat all they want but when cutting into the muscle they were really affecting the ability to do their job and serve the residents. He hoped next year would be a good year and the surplus was good enough to maintain the same level of service with, perhaps, an allocation from Fund Balance, but it was not possible to know the Fund Balance surplus. He agreed with Member Margolis to put aside a number of projects and re-evaluate them as circumstances were clearer. The Signature Park millage was spent and was not there as a stop gap for the budget. He said it would not be used to plug a hole in the City budget.

Member Mutch said when he talked about meeting current costs, the formula they had addressed the current City employees plus a portion of that future amount of legacy costs, but he felt they needed to address beyond what they were doing today. He thought they could say with certainty that next year's revenues would be down because of the drop off in property tax revenue. Member Mutch thought there wasn't enough discussion about other ways they could grow the tax base. However, that was one of the things they had the least control over beyond investing and infrastructure, in terms of creating that economic development infrastructure with people and resources to try to bring in those businesses. He thought they could be confident that revenues from property taxes would be down next year. He spoke about expenditures and that they had not spent as much in past years, and thought a lot of that was driven by revenues projected and staff spending less than they were allocated. He said half of that equation was not going to be true; revenues were likely only going to meet the targets they had or it would be less than what was projected. Member Mutch said they needed to be mindful of that when they had, in past years, spent more in expenditures than was coming in in revenues. Member Mutch said a significant portion of that spending was on capital items and were decisions by the Administration and endorsed by the Council. He said they used those funds above and beyond the revenue projections on one time expenditures and they didn't have to worry about covering them in the next budget. He thought the difference with this budget was the kind of difference they had between the revenues and expenditures. He said where the excess was spent had now shifted and more of that, beyond the revenue projections, was going towards day to day operations. Member Mutch said that was his primary concern because he didn't want a future Council coming to a budget and having those costs baked into the budget through personnel and services that they would be forced to reduce. He thought

that had to be looked at. He asked how much of the gap could be identified with expenditures that were generally capital items and non-recurring expenditures. He said they either had to be deferred or they had to have the opportunity three to six months out to see if they were in a financial position to proceed with these. He said if the answer was yes, full speed ahead, but if the economy had not changed or the property tax projections were lower than they were now, then they would have that cushion to draw on because those dollars had not been spent. He said again, \$27 million to \$29 million, he thought they needed to go beyond the \$900,000 they had already identified as Capital. He said somewhere in that \$2 million gap they needed to identify some areas where they could defer some costs or not start some projects. He thought the fiscal analysis had always been a good compromise but it wasn't made to create this budget document for a budget year when there were a lot of potential question marks. He said it looked at the major funds, major revenue sources and tracked the budget so Council knew it was capturing all the costs, but it was not an attempt to duplicate the budget. He thought it would give Council some assurance of what those costs would look like. Member Mutch wanted to address specific items such as sidewalks and pathways, as those were important to residents and there were dollars in the budget to do that but there was less than was spent in previous years. He recognized there were a lot of significant road projects this year and the funding had weighted heavily towards meeting not only the local projects but the County and Federal Stimulus projects. They were all clamoring for dollars. He said there was a particular project he would like Council to consider converting and that was the line item for the traffic signal on Beck Road/Cider Mill, which had an allocation of \$200,000. He said they had talked about this in the past as there were certain traffic warrants that this signal had met that would justify it. However, he thought unless there was a serious public safety issue, he would like to allocate some of those dollars towards sidewalks because it was a priority with residents. He said another potential source of money for the Municipal Street Fund for funding was the Metro Act money but they wouldn't know that until later, and he understood that those dollars were limited in how they could be spent. Member Mutch said the question he would put to Administration was whether there were projects that could be funded by Metro Act dollars that Council could then free up money for these other projects, such as sidewalks, the traffic signal or something else in the Street Fund. Member Mutch agreed with the suggestion by Mayor Pro Tem Gatt regarding the Fifties Festival dollars being allocated for the Home Repair Program and would like to know the answer to that. He said if they couldn't spend those dollars directly on the Home Repair Program, then he asked that they find a way to meet that need while staying within the guidelines that they were required to stay within. He said if they had the extra dollars for this budget year, perhaps they could make an exception and be able to meet all the funding needs that those block grant groups have.

Member Margolis asked Administration their rationale for the Beck/Cider Mill traffic light. Mr. Pearson said it was called out in the Beck Road study and Council had asked what could be done short of total widening to make traffic flow safer. He noted there was a gap between Ten and 11 Mile that was not controlled at all and they made the improvements at 10 Mile and Novi Roads. He said the Beck/Cider Mill intersection itself had two major neighborhood arterials dumping off onto them and trying to get onto that two lane road at night was very challenging. He said it met the warrant requirements and he thought it met the common sense test. He said when they had made improvements along Beck Road, they made the intersection profile accommodate this work. He thought part of it was following up on what they said they would do. He suggested it be kept on the top of the list. Member Margolis noted the Beck Road issue had calmed down since the Ten and Beck intersection improvements were done. She

thought this was part of that whole issue of trying to deal with some of the traffic congestion and she didn't want to see it delayed. She thought pathways were really important but, after reading the survey, as with every piece of this, it was juggling what to do. She said she didn't know whether she would support changing that signal. Member Margolis wanted to address the question about the fact that they were doing less on pathways this year and a lot on roads. She asked the City Manager to talk about that because she thought it had to do with the fact that there were stimulus dollars available and a local match they could capitalize on. Also, getting things ready, in case more money was available because they had gained from the fact that they had teed up a lot of projects.

Mr. Pearson responded that this year was unique as there was a ton of work that would happen in the community over the next year and a half. He said a lot of that required local participation at a small level and there was \$72 million worth the work and they were leveraging outside funds, State and Federal monies, better than 88%. He said a lot of it was not local monies but they still had to come up with it and for the City's budget, it was a lot. Mr. Pearson said they were committed to sidewalks and pathways and had picked up three segments; one of those might be out of technical order but they wanted to get the school work done by Village Oaks. He said there was stimulus for Novi Road resurfacing between Twelve Mile and Grand River that the Road Commission had the lead for. He commented they had met with them to try to get everything they could out of that work and the Road Commission work included was the intersections along Novi Road so that there were sidewalks, pathways, signals and ramps. He said it would be ready for the City to put in the regular sidewalk as they would just match up with the Road Commission's ramps. He said over and above the three projects they specifically budgeted, they were trying to get as much work done as possible with other people's money. Mr. Pearson said they would receive \$530,000 as part of a block grant and they could spend it as they wanted and one of the possibilities was to do some pathways with that. Mr. Pearson said they had the money and could come back anytime during the budget year, if Council decided to do something else. He said they were doing this out of existing resources and he thought they should all take credit for that. He said they were requiring private development to shoulder the bulk of that and the City was filling in the gaps and following the prioritization plan and trying to leverage other people's money to get that done.

Member Margolis said there seemed to be general consensus that to defer some money until audit time made some sense. She asked if he had some time to think about that. Mr. Pearson replied there were some Capital General Fund items, the two larger dump truck replacements, and they could hold off and revisit those around November with the lead times involved in that. Then, there was another range of things that were on the schedule that they could put an asterisk on and agree to not go forward with the acquisitions until they talked again. Member Margolis said she would appreciate that information.

Mayor Landry stated he was not in favor of eliminating the Beck Road/Cider Mill light because of the Signal Warrant Study in the 2007 budget year. He said they did studies so they could follow up on the recommendations and not to ignore them. He said Beck Road was a serious problem, they heard the residents, they did some work and they certainly were not done. He said for all the reasons stated by the City Manger, he would not be in favor of eliminating that project.

Member Mutch said the only concern he had about approving the signalization was they had this situation at Cherry Hill and Meadowbrook and people still complained about issues regarding signal coordination. He said he understood the desire to address traffic issues along Beck Road and thought they had to find a balance because along Ten Mile Road they had seen a proliferation of traffic signals. He said within a one or two mile stretch there were multiple signals and they were balancing safety needs while trading a situation where trying to address traffic, they were creating additional congestion. He said he knew from people on Cider Mill that this signal was absolutely needed. However, he knew people who lived along Beck Road would ask, after the signal was in, why Council put in another traffic signal along Beck Road. He wanted to bring this up because if they could find additional funds to shift over to sidewalks, it would be helpful. Member Mutch asked how they anticipated the funding breakdown for the Preventative Maintenance Program. He asked if the preventative activities were going to be additional dollars on top of what was typically allocated, or were they proposing a kind of new ratio of spending for that pot of dollars that they had traditionally spent on neighborhood roads.

Mr. Pearson responded they had been doing preventative maintenance but it was not as systematic or as aggressive as they would like. So, he thought it was the \$1.5 million target of balancing that out. He said they received the road software and that would be vetted out.

Member Staudt asked about the public safety study and whether it would be available before they had to vote on the budget. Mr. Pearson stated the information was coming and should be available about the first week of May.

Mayor Landry asked if Council wanted to continue or come back on Saturday.

Member Staudt said he didn't want to come back on Saturday.

Mayor Landry said if people needed to get more information before they tentatively approved what was in the budget, then they would come back on Saturday. If people were comfortable with tentatively approving this budget now, they would do so, wait for the public hearing and then ultimately approve it on a Monday night. He said they could have more discussion at that time or at any Council meeting or come back on Saturday, if they felt they needed to review the particulars of the document any further.

Mayor Pro Tem Gatt noted he was a proponent of a three year budget and that Oakland County had a three year budget. He said he wanted to clear up any confusion and explained that Oakland County didn't approve a three year budget; they passed a one year budget. He said what their finance people were tasked with was looking three years out and creating a budget today that would meet next year's needs and the year after that. Mayor Pro Tem Gatt said it was very difficult but L. Brooks Patterson was good at it and the County had won a lot of awards for their budgeting. He felt this was prudent and something Council should do.

**CM-09-04-055 Moved by Gatt, seconded by Burke; CARRIED UNANIMOUSLY:
To tentatively approve the budget subject to the public hearing and
subject to a final vote at a City Council meeting in May, and Council
would expect the document to come back with something in it to
push off expenditures between \$500,000 and \$1 million to the third**

or fourth quarter after the audited statement and after receiving a report from the Administration on whether Council could safely appropriate up to \$25,000 to CDBG home improvement or not.

DISCUSSION

Member Margolis offered a friendly amendment that they also identify between \$500,000 and \$1 million at the discretion of Council and they would decide, at budget time whether that would be deferred until after the audited statement. Mayor Pro Tem Gatt assumed that was a part of the motion and accepted the friendly amendment.

Mayor Landry said the motion was to tentatively approve the budget subject to the public hearing and subject to a final vote at a City Council meeting in May and Council would expect the document to come back with something in it to push off a major expenditure or expenditures between \$500,000 and \$1 million to the third or fourth quarter, and after receiving a report from the Administration on whether Council could safely appropriate up to \$25,000 to CDBG home improvement or not. He stated those would be amendments to the budget document that would be made at a City Council meeting. Mr. Pearson agreed.

Member Staudt said subsequent amendments would be available at subsequent Council meetings. Mayor Landry said absolutely. Member Staudt said his two biggest issues were the Signature Park Millage because he didn't want to approve the budget, as is, without knowing the results of that. He said this would not lock them down to the document in front of Council tonight and at any subsequent Council meeting they could raise issues regarding the budget and discuss it.

Mayor Landry said at the Saturday budget session they would nit pick the budget and if people wanted to do that, then they would meet again. He thought the motion on the table was that they didn't need to do that and said at every budget session there were always amendments made on Monday night at the last meeting. Mayor Landry said he would wholeheartedly agree that the budget could not be approved until they saw what was going to happen with the park millage, because that literally changed the millage. Member Staudt said it might also change his views on some things that he assumed passage because he believed in good things. He said after that event happened there might be some discussion and he just didn't want to preclude them from being able to do that. Mayor Landry said they usually put the budget as item one or the last item, they spend time on it and last minute amendments were made then. Mayor Landry said the question was did they feel comfortable with this or did they feel the need to start taking this apart.

Member Mutch said regarding Member Margolis' comments regarding the \$500,000 to \$1 million in expenditures, he said currently it was a \$30 million budget and asked if she was asking the Administration to identify from \$30 million down. She said between \$500,000 and \$1 million to be deferred until the third or fourth quarter from the current expenditures. Member Mutch said he would support the motion because, at this point, he didn't have specific items that he felt Council needed to sit through a Saturday meeting to address. However, he had asked staff for a lot of information and there were still question marks out there that he

needed answered before he could support the budget. He said if that was the line they were seeking, \$500,000 to \$1 million from the \$30 million, he wasn't sure that was enough and would have a better idea if it was or not when he saw projections looking out to next year.

Member Margolis said for clarification the \$500,000 to \$1 million was not arbitrary, it was the amount that was identified by the Administration that there was a potential next year of a drop in revenues of that amount.

Mayor Landry said he would support the motion because he thought, in these times, the budget was lean and he didn't see the need to delve into it and start changing it. He said they could get the information they wanted and have a healthy discussion on a Monday night. It would be public and they could all request any further information they needed from the Administration between now and then.

Roll call vote on CM-09-04-055

**Yeas: Burke, Crawford, Margolis, Mutch,
Staudt, Landry, Gatt
Nays: None**

AUDIENCE COMMENT - None

ADJOURNMENT

There being no further business to come before Council, the meeting was adjourned at 8:23 P.M.

David Landry, Mayor

Maryanne Cornelius, City Clerk

Transcribed by Charlene Mc Lean

Date approved: May 4, 2009