

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI  
DRAFT - SATURDAY, APRIL 14, 2012 AT 8:00 A.M.  
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

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

**APPROVAL OF AGENDA**

**CM-12-04-053 Moved by Mutch, seconded by Casey; CARRIED UNANIMOUSLY:**

**To approve the Agenda as presented.**

<b>Roll call vote on CM-12-04-053</b>	<b>Yeas:</b>	<b>Staudt, Casey, Fischer, Margolis Mutch, Wrobel, Gatt</b>
	<b>Nays:</b>	<b>None</b>

**PURPOSE OF SPECIAL MEETING – 2012-2013 CITY OF NOVI BUDGET**

**1.Overview**

City Manager Pearson thanked Council members for coming in on a Saturday to take a look at this recommended budget and move us forward in the process. It is a process. If we did our work correctly over the last several months, there should be few surprises. This document echoes what Council has said the priorities are during the year with adoptions of various plans, initiatives, and from the early input budget session in January. This whole process goes back to last fall when we met with the staff at a retreat to get their early input, the citizen survey with all these things that come together at this time to look ahead at fiscal year 2012-2013. This budget is balanced and it was easier to do because of the numbers. The numbers are strong. While the City of Novi is not rolling in cash, by any means, we still have work to do. We are very cognizant of that. At the same time, the taxable values which are the real measure that drives this budget and all budgets for local government, is down 1.8%. It is not down the 8% we were seeing three years ago when we had to make a lot adjustments and reductions. The 1.8% was anticipated through the fiscal planning. We looked ahead and saw this coming. The Director of Finance, Assessor and others estimated these numbers and were very accurate within a tenth of a percentage point. This package represents a balanced approach in terms of all the City's obligations. That is the framework used in the transmittal letter. The City of Novi needs to be thinking about and addressing all different generations and how we allocate our resources and make priority choices. We can't be focused on one end of the age spectrum or one side of the community geographically. We are balanced and we need to look at these things holistically. When you measure Novi up against these criteria of the quality of life, which is going to continue to attract not only residents but businesses to have choices of

where to invest, Novi continues to come up near the top. Someone would have to point out where we fall short compared to anyone else. After looking at the numbers, he pointed out expenditures are below our operating revenues through a combination of cuts and our operating costs, everything from healthcare expenditures and to the day-to-day operations. The Staff has been very diligent about how we approach our work every day. The City did receive a nice bump from State shared revenues which was anticipated and helps things even out. Building permit revenues continue to be strong and at a good pace. Even though we have focused on the General Fund, we also so have tried to remind and put in context that it is one of several that works together and represent that holistic and comprehensive approach we have to the budget.

Multi-Year Budget was moved into its own tab. It is the same format and structure but we tried to add more detail, in terms of the rationale and the assumptions that were made. They met with Oakland County, Mayor, Mayor Pro Tem and Member Mutch early in the year and took the lessons to heart and applied it to what we already have been doing. This represents a multi-year budget even though we are adopting the next fiscal year. The plan is to give Council a resolution when the budget is adopted in May that will also recognize this multi-year as a planning guide. On page 55, is the multi-year budget that predicts how we project things will finish in 3 years from now. First time in several years, we are able to say, without any gaps that we will finish at the end of that time, if everything falls within our established range of fund balance as planned without any cuts. We are on a solid foundation. No one is taking it lightly and will continue to be accurate and to make the best use for every dollar. The multi-year budget is an enhanced piece to work with. It gives you a comfort level. We have extended this to the other funds that are primarily property tax driven. We have identified and shown the fund balances the Council adopted last fall other than the general fund and have spent extra time to apply those fund balances to give us those targets.

Capital Improvement Program section was also enhanced under that tab. This process works with the Planning Commission and Council Committee. We have taken those CIP projects and taken specific projects into the road funds and parks funds for each of those out years rather than taking a generic sum holding number for the out years, years two and three, the actual projects are reflected in CIP. The document is more specific and gives us a better planning tool, which is important with the capital improvement projects that take years to plan and execute.

City Manager Pearson thanked the Staff team for their hard work in putting together the budget document. It was a lot of hard work but they knew it was worth it because it gives us a chance to see what the priorities are for the year ahead that Council has identified and want to work with Council to get it accomplished.

Mayor Gatt thanked City Manager Pearson and his Staff for a lot of work that has gone into the preparation of this budget. This document is one that most cities would be very envious of. He commended Finance Director Kathy Smith Roy and her Staff for putting these numbers together and everyone for their input. He had requested that Brooks Patterson send his budget team to talk with our City. Mayor Gatt noted he is and has

always been a proponent of multi-year budgeting. A lot of people have said it can't be done and can't predict. Oakland County touts itself in being the first government to put a multi-year budget out. Novi is doing the same thing. We may be the first and only city doing this. Our Fund Balance looks very healthy at almost 21%. It doesn't mean that something could happen next week to change those numbers but, with the Finance Director and her Staff on top of things, they will adjust those numbers as necessary.

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

Member Margolis noted that it was her seventh budget and she's always enjoyed reviewing each budget. Her comment was "Wow." It was amazing to her to look back over those years and remember the first couple of years where we've been. We were doing well and then hit a recession that really hit our values and income. To see where we are now coming through that trough is pretty amazing. She thanked all the Staff and Administration for everything they've done under the leadership of City Manager Pearson. It is outstanding how we have come through this full process. It is true that Novi is in a good financial position. We are doing a multi-year budget but said she also commended Staff for doing a fiscal analysis every year. She has saved those documents. It was true that their predictions of where we were going to be are very close and appreciated their foresight they showed several years ago. She wanted to highlight some of the things. Every year we get an award for the presentation of our budget, as you read this budget you will know why, as it is very clear and transparent. Every piece of information that you would want to know about the City is in the budget. She doubted that most community members take the time to go through the budget page by page. She encouraged everyone to do that. She wanted to highlight some of the things that spoke of the position we are in. One of the pieces in here talks about the net assets of the City; there is an increase in the value of net assets of the City of 44% in this budget. That is impressive considering the trough we are coming out of. The other piece that has been part of Council's goal, past and present, is to deal with legacy costs. In this budget, we are putting over \$150,000 towards retiree health care in addition to the amount that we have to put in every year. The growth, in the fund balance of our retiree account in the past seven years, has been astounding. In the past 3 years, we've put an extra \$375,000 in the midst of budget difficulties. She would suspect we are one of the highest funded retiree health care plans. The addition of the CIP into the fiscal analysis, now the multi-year budget is excellent. It has taken the CIP number and has incorporated it in the fiscal analysis. The thing that most impressed her was our debt millage is just under 1.5 mills. That is the amount that the residents pay that goes toward our long term debt and has been historically been closer to 2 mills. It was projected out to be .94 mills in two years. We have made substantial progress in the debt level. We are allowed to have a portion of the amount of debt we have to have. It is significant because we can now use the dollars for current needs instead of paying down long term debt. In the past, Novi has had road bonds to improve roads. We have an opportunity now because our debt payments are so much lower and we can start plowing money into our current infrastructure needs with the current millage rate. It was amazing for a City growing within a recession. Our General Fund revenues exceed our operating expenses. We are projecting a very healthy Fund Balance going

forward, well within our policy, and that is keeping staffing steady and at a lower rate in the past. The debt is at historic lows, only 15.4% of the amount we are allowed to have as debt. This says the City is in a very healthy situation. It is clear to her as far as we can project, it looks like we are hitting bottom. That property tax revenue as was predicted previously looks like were bottoming out which is an excellent situation to be in. She said for the first time in years, she has actually received calls from real estate agents stating they have buyers in her neighborhood, there is nothing on the market, and was she interested in selling. She hasn't had those calls in years. We are seeing something shift in the economy, hopefully. The General Fund revenue peaked in 2009-2010 at 17.429 million, this year we have revenues at 14.425 million. All the indicators of resident services and satisfaction are continuing to be strong. While we've cut back, we have not had to cut back on any services that were significant to the residents. She wanted to thank the Staff and Administration for rebalancing the resources. One of the pieces in the document besides the line items, because it is a holistic view to where we are, is the performance measure. A lot of us go to the numbers and what is important to look at is what we are producing with the money we are spending, If you look in the document, they have dashboards for each department that show whether they are on target or not. She was happy about, one of her priorities, the Public safety response and fire response. They did a study several years ago that recommended improvements in the ICMA study. It was something she felt strongly about. She noted that our fire response to priority calls was seven minutes or less, which is the benchmark. She wanted to highlight our fire response to fire call was under 69% in 2008, to 70% in 2009, then to 79% in 2010 and last year to 82%. That is very impressive when faced with budget cuts and dealing with issues in the budget and the kind of general fund drop that we have had in the last couple years. The other piece she wanted to highlight was on page 93, one of the things we stress is customer service and staff being able to provide the kinds of service and two of the measures we have, they may not seem important, but employees clearly understand their performance expectations. When we first started looking at it, it was 81% and has gone to 90%. That is a huge number. It is impressive for an organization of this size. The other part is the percent of employees that feel they have the skills they need to do their job from 92% to 97%. Those numbers speak to a staff member. They are provided the opportunities they need and more important is they recognize them. That is the second step that is really difficult. She gave kudos to the employees, supervisors and administration for keeping a focus on the employees. The bottom line is day to day, that is whom residents are working with. She is very pleased with the budget document and thinks staff should be commended. She is very proud to be a part of this process and to have a budget document this clean come to us, so we can move forward. She has friends that serve on elective boards in other communities, and talk to them on a day-to-day basis she has conversations with them about the expectations they should have of their staff, and most of them do not get the complete responsive information we get.

Member Fischer echoed sentiments thanking City staff and everyone who had input. The tough thing about doing a project like a budget is that we expect services to be maintained. Budgets are built on the weekends and at night because the City residents expect day-to-day operations to go as expected. He wanted them to know that everyone at the table recognizes the work that goes into this. These were his favorite

two documents, the budget and the Comprehensive Financial Report. This is the third budget for him and the best from the presentation perspective. He saw it as a very comprehensive document. It doesn't just dive into the financials. But anyone, investors, potential residents, current residents, and businesses, could look at the financials and it is amazing from a transparency perspective. This is not just a finance document but truly a mini guide of what our City is about, these are our goals; these are our accomplishments and what we look to do in the future. It has performance measurements and demographics to our City. This is not just a finance document but truly a guide on how we want to run and maintain our City and what the residents expect of their City services. Very transparent, both on a financial level and what he would consider a community character level as well. The budget is about dollars and cents to him. The first thing he wanted to comment on is the fact that we have this fiscal analysis that is now named the multi-year budget. He liked the fact that it was brought forward as a budget document. A lot of the discussion last year in this first round went right to the fiscal analysis and was buried in the back of the budget, but now it is up front and very open and honest about where we are today and in the future that gives a very holistic approach. It was a great move. Council had asked for that. The City staff definitely delivered. He wanted to highlight two key priorities that he felt strongly about; one was a goal, that was approved last year, was to make sure the gap between operating revenues and operating expenses in the general fund is closed and that those two are aligned. He looked at the multi-year budget that we are in 2013 at about \$1.2 million in short fall, and year 2014 we are about three tenths, and the year ending 2015 we are where we want to be, all things are balanced and that was a key priority. That was a goal, by the end of our multi-year budget that we were where we needed to be and they met that. Earlier in the year, Council adopted not only the other funds and specifically a general fund balance a fund balance range and that has also met those targets with the 23%, 22% and 21% fund balance projected going forward included in the multi-year budget. Other highlights that he looked for in the budget include OPEB, (other post-employment benefits), making additional contributions of a cumulative \$400,000 in excess of contributions and we are looking at an addition \$150,000 in contributions this year. He spoke about legacy costs that needed to be addressed throughout, despite tough decisions and tough economic times. Roads are another accomplishment he would like to see. We continue to fund \$1.5 million for neighborhood road revitalization and it is what we've carried each year as long as he can remember despite tough economic times. Council needs to be diligent as well. Health care costs are up about \$150,000 over the year, so we need to continue to approach that in a balanced matter. As much as we need to forecast those costs to ensure we are including the right amount in the budget and proposed expenditures in out years, we have to ensure we have affordable and sustainable benefits for employees. We need to be competitive but we need to make sure they are sustainable and affordable. We have made a lot of headway and there were a lot of concessions made over the last couple years and we need to continue to head down that path. He also spoke about the potential loss from Michigan Tax Tribunal cases and that is another item Council continues to receive information on. We need to keep it on our radar. It should be an annual review discussion as well, as long as we see that information from Finance he felt comfortable with that. Lastly, the General Fund talked about Police and Fire transfers hovers at about \$5 million for the next

couple of years and the revenue coming into the fund is about \$4.3 million a year. He is comfortable with what they are doing this year and the out years but again as we continue our discussions he wanted to hear what kind of fund level we are looking at for that fund. One thing he commented on last year was that these are very conservative estimates put in this budget. At the audit, we were conservative and now we have all this good news. We can't have it both ways. We continue to strike a balance. He noted building permits revenue estimates and investment revenues were a very conservative number. And the reason he brings this up now, as we see the conservative estimates come to fruition, the first place to invest that money is to lower the transfers in. He wanted to close the gap of revenues and expenses on that. From a financial perspective and from a comprehensive transparency perspective, this is the best budget he has seen in his time on Council. The budget document is very informative.

Member Mutch noted this was his seventh budget. It has been an interesting process to watch the City because that the first couple years the City was flush with dollars. Sometimes we were challenged to decide how to spend the resources we had and then suddenly we had to move away from that framework and into one where we are almost in a triage situation where we were making difficult decisions about cuts that we had to make including reduction in staff sizes. We were not making the level investment in infrastructure we wanted to. We were doing some prioritization and outsourcing and all these steps that the Council had to make over the last several years in response to the financial conditions of the City, nation, and globally. He is happy to see that the budget we have today really reflects that work that has been done by Council and by Staff to realign the City of Novi organization to the resources that we have. It has made Council, City Administration, and the Staff overall give up some things that we were used to. Give up services that we previously had provided and find new ways to provide them. At the end of that process, the City of Novi as an organization and community is in a much better place than many communities around us. Everyone knows the problems Detroit has and is the worst case scenario but if you read the newspaper articles of communities' and some much like Novi, many of them have struggled over the past several years to go through that process. Either the elected officials couldn't make the decisions that they needed to make to align the resources, revenues, or expenditures or the City Staff wasn't able to implement those changes or a combination of both. He was happy, even though it was difficult, that they had come through that process in a way that he thinks we have done what we had to do. First, we had to preserve the core services that we provide. It is really important for people to understand that we have fewer people today providing services to a larger population. We have had significant population growth in the last 10 years than we did when he started on Council. We have come down significantly in head count. It is not just cutting clerical level people, they have reduced positions in the Police Department, Fire Department, and DPW, we have done outsourcing and so we have fewer people today providing as much or even more services than we did 5 to 7 years ago, but as the numbers reflect, citizen's satisfaction with those services has been maintained. More importantly, in terms of what we can measure, we have seen reduction in crime rate across the board. We have seen a reduction in overtime costs. Our Police and Fire services have become better at providing the services with the

resources that they have. We have seen real improvements across the board in a number of areas that didn't involve us hiring more people and throwing more money at them. We just got better about doing the job that we do with the resources we have. At the same time, the Council made a commitment to continue to invest in our Community. If anything we do as a Council, for the long term, is to continue to make investments in the Community. It is an area where many communities have gone through this process, and gone through this period of growth as Novi had been in, then they plateau and they fall off significantly. Once you pass that plateau and start falling off, it is difficult to recover from that. Many communities fail in their long-term history to make the continued investment into the community. It is not only providing the day-to-day services but it is also investing for the long term. We have invested in our facilities, parks, roads, sidewalks, paying down our long-term obligations and work to reduce the impact of those long-term obligations. It is also making changes in those obligations so that they no longer fall on the City's bottom line and sharing them more equitably with the employees. We have done all those things. This budget continues along that path. The best investment we can make to our community is long term. That path what we are setting today, if it is continued, will position Novi to continue to be a destination community. It is important to our residents, businesses, and future businesses. In terms of the budget specifics, the multi-year budget fiscal analysis and the projections that it shows really speaks to all that work. It shows we are aligning our expenditures and also shows that investment back into the community. One of the things he had asked for in the past was the inclusion of capital items. It was always frustrating to get a fiscal analysis that said we will be balanced for the next three years but included no capital items when we knew we had to make those capital investments. It would be foolish for us not to make those capital investments. So now that we have all that together in a single document gives a much higher comfort level about where we are going in the future than in the past. It was always a big concern of his. This budget analysis going out to two years beyond the proposed budget shows the revenue and expenditures coming into alignment. It says to him, as an organization, we are continuing to make the adjustments that we need to make to align our resources with the costs with the revenues that are coming in. It is key and critical because if we don't do that, we end up on the path where a lot of other communities have ended up on where they start losing the ability to make the long term resources and they lose the property tax values and they lose the revenue to do the basic day to day, the worst case scenario of ending up as Detroit, but there are many other examples in southeast Michigan where communities did not keep those numbers aligned and have really struggled. In terms of specific items in the budget, he didn't have a lot items to touch on but he did have a few. Those are items he felt that he thought had opportunities to bring some resources and align them better with the Council goals that we have adopted. He didn't see major holes but just filling in some gaps. He will touch on specifics in round two. The final point he wanted to talk about was the road millage proposal that was included in the budget document; he felt it aligns with all the points he previously made. He did some research and the earliest indication he could find that the City had a dedicated road millage was back in May of 1972. The City voters adopted our millage structure for the General Fund millage and the millage for the Municipal Street fund. May of 1972 was a month before he was born. He will turn 40 this year. So that means over a forty-year period the City of Novi has operated with the same street millage amount and

obviously when once Headlee kicked in it had been rolled back. We have been fortunate over that time as our City grew, our tax base grew and the revenue to support that road network grew. At the same time, that road network grew explosively. He didn't know how many miles of streets they had in 1972, Mayor Gatt can attest to the fact that in the 70's, many of those streets weren't even paved streets. Many roads at that time were farm fields of subdivisions that had not been built. We have a significant road network today of neighborhood streets, mile roads, industrial streets, commercial streets that we as a City are responsible for. We are trying to support that with the same level of resource we had in 1972 when we were a community of about 7,000 - 8,000 people and now we are over 55,000 residents with hundreds of miles of streets. It is a much more complex street network. So the time has come for us as a City to tackle that obligation that we have to bring our resources to the table to support the road network that we have today and we will have to maintain over the long term. We as a Council hear from residents about whether their streets get plowed on time or potholes on one of the main roads or an intersection improvement that needs to take place or a traffic light that needs to be retimed. Roads are a big issue of concern with residents in the City and we know based on the information that has been provided to us that we don't have the resources that we need long term to support the size of the road network that we have in the manner that our residents want. He thought it was time to ask residents if they are willing to commit to that. It will be their choice. We will continue to work with the resources that we have based on what they say but he would fully support making that request because he thought the time has come to do that.

Mayor Pro Tem Staudt noted his first budget was 2008-2009. He never had the benefit to having so much money that we didn't know where to spend it. The previous four budgets have been interesting. He was pleased with the strong CIP element to this budget. These are things that are necessary. Last year, we deferred some capital improvement items. He didn't see those particular types of things happening this year. We are in a good place to fund those. The budget provides for the development and education of our employees to continue which is a good thing. There has been a lot of discussion in the past about out of State travel, training, and things like that. He thought this budget shows their concerns have been heard and it's a conservative approach to working with employees. He would be happy to support that. This budget continues to address the legacy costs with making additional investments. He was pleased to see that we are mindful of the expenditures that are occurring and looking at those things however, we also have to be respectful of these decisions are being made over a long period of time with departmental and leadership input. He will be respectful of the line items that are in the budget, in general, and support most of them. We maintain a very strong fund balance not just in our General Fund but also in other funds and he is an advocate of that. This has placed us in a very good position than most cities. Our reluctance to spend down to our minimums is a part of that. A few specific things are, first, there is a proposal in the budget for completion of the ring road but he doesn't support that. He supports the road millage and suggests taking it beyond the existing one mill charter limit and to move it up to 1.5. The previous discussion with and presentation from Rob Hayes regarding our long term needs for our streets convinced him that we need to make these additional investments. Our roads are one of our

largest infrastructure needs. He thought it was time for us to consider how we are going to do that. There was some discussion about a parks and recreation millage in our budget document but he doesn't support an increase in that area. Our infamous 10.5416 millage limit, what we've had for many years should be eliminated. We should get rid of the drain fund revenue millage and reduce our millage down below 10 mills for the first time. He would like to go down the full .6851 to 9.8565. He thought that it would assist the taxpayers on the decision on our road millage in the future by reducing our millage. He would advocate that it's time to reduce. Next year he understood they will have a further reduction of .4388 for the debt. It is time to get off 10.5416 and move on. Whether the voters agree to an increase in the road millage, which would be a secondary concern to him. He would be an advocate to reduce. These were his primary issues. This is a really well done budget. It was easy for him to look at it and support it.

Member Wrobel echoed comments of Council. He thanked Mr. Pearson as he was pleased with the budget and provided many answers to his questions. He liked a lot of documentation. They provided it this year and reduced his questions. This budget takes into consideration all of the City Council goals. It paints a very good picture for the City in the future. He had a couple of items for round two.

Member Casey echoed comments thanking administration for the work creating the budget. The information provided resonated the messaging about the quality of life and maintaining it for our residents. When we talk about a vital community, it is important that the budget produced and the goals that we set align with making Novi a better place for the residents who live here or want to move to our City. This meets the goals outlined in the early budget input session.

Mayor Gatt noted this is his ninth budget. We are a very unique city and one to be envied by most cities in southeast part of Michigan. He thanked Staff and City Manager Pearson for their diligent work.

Council recessed at 8:57 a.m.

Council reconvened at 9:10 a.m.

Member Mutch said there were a couple of specific areas that he had some questions about and would like to make a couple of proposals. The specific questions were for administration. In past years, there were questions about the cost of personnel services in terms of employment costs. In terms of the current budget year, were there any pay increases for staff? City Manager Pearson said there was an arbitration award for the Police Officers of one percent as of the arbitration date. They got that award three weeks ago. That increase that was awarded is built in. Nothing else in terms of wages, but increase for workers compensation, employees pay more for their health care contributions. That is a City savings. Member Mutch asked if any of the Unions have any pay increases budgeted for this year. City Manager Pearson confirmed that Clerks and Dispatchers have a scheduled increase. COAM scheduled increase was deferred to June 30, 2012. That was built in as well. There is nothing else for the Administrative officers built in. Member Mutch said that they are through negotiations of contracts and

not a matter of adding it on top. City Manager Pearson said that doesn't address the subject of internal equity for those who supervise. Member Mutch explained that it is a big issue for the public. It is sensitive for employees to hear us talk about it. They have gone through zero percent pay increases. There was some discussion about future increases with property value increases in the future. We might be in a position to consider it at that time. It is a question we often get as to what kind of sacrifices the City employees are making. Looking at the Roads side of the budget and one of our significant expenses annually is winter maintenance. We had a very unusual winter this year. So the expenditures in that area were significantly below what they would typically be. Would that be reflected in the budget numbers? City Manager Pearson answered that the savings for the current year stays in the beginning year balance for 2012-2013. Member Mutch said the specific items for him deal with sidewalks and bike paths. It is something he has focused on over the years and it is also reflected in the community surveys and the Council goals. It is reflected in some recent planning efforts in terms of the implementation of the Non-motorized Master Plan. For this year, we have two sidewalk projects that we are going to move from engineering to construction in the upcoming budget. We also have a design and engineering for a future pathway extension along Meadowbrook Road at some future date. Those are good projects and he was glad to see those come forward. That was something that Council had funded the engineering on in the current budget year. The concerns he had with those, looking at the sidewalk prioritization plans that was recently updated and used as the framework for prioritizing funding for that, the highest ranked project that currently is not funded or completed in that plan was supposed to be included in this year's budget. It is the West side of Novi Road between Nine Mile and Ten Mile. Now it has been pushed back in the CIP to 2015-2016. The concern he had with that was they put the prioritization in place to give some consistency that we were funding. He is not seeing it funded this year and pushed that far out was a concern. He realizes Staff tries to make some decisions in terms of what funding we have in place. To him, it was an important project because where it sits on the prioritization list. That is Project #46 and it is \$190,554. The other project that he expected to do this year was Project #38 that is part of ITC trail corridor. That portion is from the Medilodge trail extension to Beck Road. It would be the section of the trail that extends to the Medilodge Building across the Providence Hospital property out to Beck Road, which would be \$129,540. To him it was an important part of that work because the Medilodge trail is done and ends at Providence property line without a connection to anything we have other than at Eleven Mile. So essentially we create a trail that doesn't really get people anywhere unless there is a complete segment. That is also what we highlighted in our Non-motorized Transportation Master Plan. So those two projects are a total of \$320,094. He said the money is coming from the funding resource which is the Metro Act funds which are revenues that we get from the statewide franchises from telecommunications providers and every year the State gives us a certain amount of money that has to be used for activities within the right of way. He looked on the State's web site for what it is used for. It is used for right of way acquisition and permitted activities allowed are street lighting, snow removal, dust control, trees, signage, sidewalks, and bike paths. At least for the one project, the Nine Mile road project would qualify for Metro Act funds. The fund balance for Metro Act is currently \$292,391. He would look at utilizing those funds, which are restrictive for the sidewalk project and utilize the Municipal Street fund

balance for the ITC trail. He asked City Administration to work out the numbers to add the two projects to the Municipal Street fund. So when we get the final budget from Administration, make the necessary adjustments to incorporate those. City Manager Pearson commented on project #38. He said Medilodge has said they were going to build for a better part of the year and there was nothing going forward to make it more solid. He was all about completing projects they start. The consideration was it would be open by this calendar year, so if you want to pull it ahead that if we budget for it and if it doesn't become real you might want to push it off a bit and not have our segment hanging out there. Member Mutch said his expectation would be a coordinated project as the goal is to construct the trail in coordination with Medilodge. It doesn't make sense that we build our portion and if they don't and when they do build there or we build it for them dealing with ITC, there may be potential for economies of scale. He would like to have it in the budget but if it doesn't happen looking out to June 2013, it would be consideration for a future budget. The understanding with City Administration that the expectation is that it is built in coordination with the Medilodge project. Member Fischer clarified to pull it ahead for the opportunity this year's budget to complete that if it is appropriate but if it is not, it would likely be pushed off to next year.

Member Margolis heard in the motion it will be in the Municipal Street fund and Administration would have the option to see if it made sense. Member Mutch said his expectation is that it will still be coming out of the Municipal Street fund. He is comfortable allowing them the flexibility. It doesn't have to come out of a particular fund. He wanted to be clear on the starting point. Member Margolis was concerned whether they would have the funding for the roads and allow Administration the flexibility to come back and talk about whether this makes sense. Both projects are slated for future years out of the CIP Municipal Street fund and we are just pulling them forward. She was comfortable with the motion.

**CM-12-04-054            Moved by Mutch, seconded by Staudt; CARRIED UNANIMOUSLY:**

**To approve Capital Improvement Project #38, ITC Trail - Medilodge to Beck Road for a total of \$129,540 and Capital Improvement Project # 46, Novi Road sidewalk – Nine Mile Road to Ten Mile Road, West side for \$190,554 for a total of \$320,094 to the Municipal Street Fund.**

**Roll call vote on CM-12-04-054**

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

Mayor Pro Tem Staudt wished to remove CIP#3, Crescent Blvd extension in the amount of \$3,297,200; it is commonly known as the Ring Road, with an associated item of \$95,805 coming from the Drain fund for an additional part of the program.

Mr. Pearson asked if the intent was to remove it permanently. We have spent a considerable amount of time and money on this project. He firmly believed the project is necessary and improves safety and traffic flow at Novi Road and Grand River Avenue. He has given plenty of information and work and asked what the intention was. There may be implication for the land and easements to deal with if we scrap it completely or to defer it and maybe go again and see if there are other funding sources. The MDOT is category A funding that is dependent upon a specific development project and he didn't see other options.

Mayor Pro Tem Staudt said his motion is to just remove it from the current capital improvement program. He thought it would be a good idea long term. We have had enough opportunity to investigate additional sources of funding for this. He thought we weren't in a spot to spend three million dollars on a single road. He would like to see something built at some point. There hasn't been anything in the last two years. It is not acceptable to him at this point. We are asking to take 2 million dollars from our Special Assessment account to pay for this. He was not in favor of that. We need more information about the actual need. He would support additional funding to move this project forward. If we knew we had an 80% match, he would support it. It is General Fund money. It was a good time to talk. He did not want to defer, but remove from the budget.

Member Margolis noted this project has been on the CIP with different funding mechanisms with different explanations since that time. It is a long-term project. We completed the first phase of it in this budget year. That would mean we planned to build a road to nowhere. As she served on the CIP, this has been a plan of Council getting the ROW and planning for this. When considering the Walmart, the concern was for the congestion at the intersection of Grand River and Novi and the potential road to relieve the congestion was discussed. She could support different staging for this year as Administration could identify certain pieces. We place ourselves at risk by not continuing to move forward with this project.

Member Fischer noted he couldn't support this as this dates back to 1980. They talked about the four quadrants and the Ring Road concept. He thought the time is now. It was important that the City has to continue to invest in the infrastructure despite the economic down turn. We need to increase the capacity in the road network. They need to investigate additional funding sources if it is out there. He would like to see a little more information to make a motion to defer until later in the year to bring back to Council. He would not defer it without an end date.

Member Mutch supports the motion as presented. If this project moves forward at a later date, he would support it. The planning process in place around the Town Center area has been completed in pieces in public or private development. We have not chased that out for a while. One thing driving this was Comau Pico at the time to do a significant investment in that area. Do we really feel it is worth pursuing at the time because of the litigation? There was much discussion about matching Category A funds. Since Comau Pico went away, he didn't feel it was a pressing project with the potential of the property that would be the most visible piece of property in the City of

Novi. It will have a very high development potential. Anyone going into that property would know they would have to work with the City to have access to that property to facilitate that property. We wouldn't have to bear the full cost. We could take advantage of private development to make that happen. It would work out for us. From his perspective, he was willing to wait. If there is an opportunity for a project there, then we can allocate that money.

Member Wrobel noted potentially this road will be needed, but is not needed now. He didn't want the City to pay the entire cost. Most developments would take some time to come to fruition. We will have the time to get the Federal grants to build the roads to meet their needs when they build there. We need City roads to be repaired at a high rate and then going to the electorate that we need to increase the millage for City roads and they will come back and say what about the three million you spent for a road that is not beneficial at this time. He couldn't support building this road.

Mayor Pro Tem Staudt wished to remove it from the budget, being it is the technical thing to do but we could bring it up every 6 months or bring it back in December/January to reconsider. The City should not be in the position to pay for the entire cost of it. It's been out there a long time and there are some things happening with the property that might be happening on that property to reconsider sooner but he doesn't want the City to pay the full amount for the road. He felt the potential redevelopment would drive the decision ultimately. We are in a fairly good position to build this road in a timely manner and work side by side. Council mentioned potential funding. Spending three million without knowing the use is not good business. We can reconsider at any time we want.

Mayor Gatt would support the motion but with trepidation and preferred to defer it until January so Council could discuss. It had always been the case where additional funds were there to assist. He believed there will be some movement in the not too distant future that will be the driver. He would prefer it be deferred.

Member Margolis cannot support a budget that doesn't have some funding for some phasing of this road. The reality was that we have a commitment and to continue to move forward on the progress we have made on this. It doesn't mean we have to have the three million in the budget. We have for multiple years; supported building this road that will be needed. It is necessary that we show progress on this road. There must be some appropriate phasing for this road.

Member Fischer said it was difficult to go on Novi Road, now with Walmart going in there, it would be extremely difficult. We just approved a hotel at the Suburban Collection Showplace. He said it would alleviate that traffic. He would only support leaving it in the budget similar to approving some capital expenditures last year where it remains in the budget but comes back to Council for discussion.

Member Mutch drives this intersection every day with a majority of traffic heading eastbound. The project would shift the traffic westward and possibly over the railroad with limited sight distance. It doesn't address the congestion in that area. He would

love to see some traffic count numbers pre and post for the Novi Road widening. He felt there was a need but it was not pressing. To address the concern that has been raised as to whether we should spend some amount of money to keep the process moving forward, he didn't feel we were in any dangerous situation legally if we defer this project. He would amend the motion to add \$157,200, which reflects the engineering work that would be required for this project. The design concept of the road is fixed in terms of what is there and what we have to work with the property that the City owns. Obviously he would like it coordinated with future development and putting this money in for engineering would allow City Administration to move forward with that aspect of the project. City Manager Pearson said that money was the construction engineering. It is designed and ready to go. Member Mutch withdrew the motion.

City Manager Pearson suggested, if there was interest, to splitting the funding. It would put us in the position for spring of 2013 and straddle the budget years so it would be as much. That would also give time to some things that were talked about. It was another option.

Member Casey asked what the cost was if we don't proceed. City Manager Pearson said we paid for temporary construction easements through June of 2013. If it goes beyond that, we need to approach the property owner for a temporary construction easement and would be approximately \$60,000 to \$70,000. She asked if it were deferred to another budget year, could it be revisited at any time. It could come back as a recommendation from Staff. If we take it out of the budget, the dollars still are available for us if we wanted to revisit it in the future. It would come back as a budget amendment. City Manager said that it would need 5 votes for appropriation. It would not be in the budget. We would not proceed with the project. To be fair, this project is ready to go and strongly suggests we need to work on getting the easements. Member Fischer said, just to be clear, the motion is to completely remove it from the budget and basically increase the balance of the Municipal Street, Special Assessment, and Drain funds. Mayor Gatt noted this would not preclude Administration from looking forward to bringing any amendments to the table.

City Manager Pearson noted there isn't money available from the State or even tri-party funds. It's not one development; it's the center of the City. We want the property to be energized. There is only a finite amount of time that the signals can allocate. The timing helps the entire intersection.

Mayor Pro Tem Staudt understands even if we remove this item, he would be willing to look at between now and the next budget meeting some alternatives. Phasing this in might be something that is palatable. \$3.2 million in a single expenditure was not palatable for him in a single budget year for something that may or may not be necessary now. Even if we were to remove this item now, this would allow administration to come back with other alternatives to allocate over multi year period. He would be open to that. He couldn't support this allocation in a single year.

Member Margolis asked what the increased costs of phasing were. The municipal street funding is there. Spending the money in two budget years was a matter of when the expenditure was done. Phasing would have to make sense and spend a significant amount of money and then stop it. She was not interested in stopgap measures. Not interested in dividing things up to make it more palatable when it doesn't make fiscal sense. She wanted to find out what are the increased costs in order to phase this.

Member Mutch also doesn't see phasing either. He hoped the project would be done with a combination of City funds and other funds. He would like the opportunity for Administration to come back or revisit this in January 2013 included within the motion. He asked Member Staudt to amend the motion.

Mayor Pro Tem Staudt didn't see this as a pressing need for this purpose. We are talking about \$3.2 million and look at the source of the money. The \$2 million will come from the Special Assessment account that will not be replenished. This is an account that has grown over the years but it is not an account where it will replenish itself. This is an allocation he doesn't see as necessary. This is an allocation of the Fund Balance whether it is the General fund balance or another fund balance it was not an allocation he felt was necessary. We are still fighting through a difficult period with a downward trend in property values and we are still waiting for tax tribunal resolutions. To be fiscally prudent and a bit more conservative now is safer than spending this money and not having it available a couple of years from now to deal with other situations that are unforeseen at this moment. He's not willing to spend that money for this purpose today.

Member Casey thought there was still interest in the project. Can we table the motion and ask Staff to bring back other funding mechanisms. Mayor Gatt noted most are interested in continuing this project but it would be removed and the item brought back in January 2013, but who will pay for it.

Member Margolis noted that Administration doesn't feel very confident that there are other funding mechanisms for this.

City Manager Pearson said the source is a grant, but it is very project specific if this was a project in an industrial park, as opposed to extending this Ring Road for the immediate. Council has to decide on whether to alleviate some issues at this intersection and provide development opportunity for this area. The mode for development now is that the municipalities give money, not getting money from the development projects. There just aren't any public/private partnerships happening. It is a great area and things are still happening. He mentioned there is interest in demolishing the old property that may generate a prospective developer.

Member Margolis referred to the MDOT dollars. If we developed this road and got a development in there, there are other pieces of this and there are other infrastructure those dollars could be used for.

City Manager Pearson said he was not aware of it. This budget allocation would take care of the spare road and would do the utilities and the bridge. He didn't think anything else would have to be done after that.

Member Margolis said we talk about eliminating this from the budget to find other dollars for it. She asked if we left this in the budget, would Administration continue to look for money for this project. City Manager Pearson said he would look. If we left it in there, it may cause trouble for some of these grant programs. It may be more likely to get funding if the project wasn't in the budget. She was very concerned about eliminating this because of legal action for several years and going back for temporary easements and could end up costing us. She would not support it without a sensible expenditure for this project.

**CM-12-04-055          Moved by Mutch, seconded by Casey; MOTION CARRIED: 4-3**

**To approve removal of the CIP #3, Ring Road from the budget in the amount of \$3,297,200 and \$95,805 associated item and bring back for discussion in January 2013.**

**Roll call vote on CM-12-04-055**

**Yeas:    Mutch, Wrobel, Gatt, Staudt  
Nays:    Fischer, Margolis, Casey**

Member Mutch referred to page 37, under Service Improvements, one of the requests from the Parks, Recreation and Cultural Services Department was a Master Plan in the amount of \$80,000. It was their number one priority as a department. The rationale for that is that they have an existing plan and this would provide something more comprehensive than their existing recreation plan and put it into a single document that they will use as an implementation plan for the Parks and Recreation system going forward. It would cover Capital Improvements and ongoing maintenance costs. They are responsible for the development and maintenance of our parks facilities. We have grants submitted for Lakeshore Park. It seemed to him that it is an important process for the City to go through. It will update and look to the future. It will be looking out at a 5-year period. He asked questions of Director Mangum. How long would you be looking out for the plan? Jason Mangum noted the current Recreation plan does little for the future of the plans. It has comprehensive resources assessment in it. It doesn't take into account all the neighborhoods. It should take into account the specific desires and needs of the community. Funding sources for acquisitions for each facility or amenity are items that are looked at and it takes the desires and needs of the citizens on how to implement that plan. It would be a 5-year minimum plan as recommended by the DNR. We have to have a Master Plan to receive any DNR grants. We have a good strategic plan. It would be a good start. Member Mutch asked about the current community recreation plan expiration date. Director Magnum said it is through 2013. We will have to do some update to the current recreation master plan. Member Mutch made a motion (later withdrawn) to add the Service Improvement request for the Parks, Recreation and Cultural Services Department Master Plan for \$80,000 to the Parks, Recreation and Cultural Services budget.

Member Fischer noted that would drive the fund balance further into deficit from \$80,000 to \$160,000. Then in 2013, we would be looking at \$70,000 deficit and the same in 2015. He was not sure that budget was the place for it. What is the point in setting a target? The expenditure or the fund would have to change in order to get his support.

Member Margolis noted she had asked City Manager Pearson about this and asked him to comment on it because she felt comfortable after talking with him. The Master Plan was important but the expenditure was not necessary.

City Manager Pearson noted this study was important but there is value and capability to do this in-house. That also means that other things from the workload may not be able to be done. He thought the report on older adult services that is coming in soon had greater significance. He wasn't comfortable that the timing and staffing wasn't right. He wouldn't recommend it at this time and didn't include it.

Member Margolis said this seemed extremely high for consulting services and agreed with City Manager Pearson's views on the matter. She wouldn't support it.

Member Mutch appreciated the thoughts of how the matter could be handled in-house versus using a consultant. In terms of the fund balance that Member Fischer raised, obviously the goal is not to go past the target but unfortunately we have already done that to a degree in that budget. He thought it was worthwhile discussing and willing to let it go to a vote.

Mayor Gatt would not support it by spending \$80,000 right now to further diminish that fund balance.

Mayor Pro Tem Staudt agreed with the City Manager. It was not so much an expenditure issue as an allocation of time and understood his position relative to taking that on right now.

Member Mutch withdrew the motion.

Member Wrobel noted there were additional items for possible consideration of removal from the budget. He noted that one of the items was the \$40,000 for a fuel island canopy. He didn't think it was necessary at this time and felt it could be better spent. Another item was \$4,300 for tablet PC's for the Planning Commission. Given the economy, the volume of work is not there to substantiate the expenditure. It would be a nice tool. He wondered if it was necessary this year. Another issue was \$18,000 for wellness training in the Human Resources Department. He was not sold on \$31,900 for a graduate intern for the City Manager's Office and the \$12,480 for a part-time tool crib attendant at the DPS.

Mayor Gatt thanked Member Wrobel for going through the budget books so thoroughly. He felt he was the only one at the table who had to stand in the inclement weather while fueling vehicles. He had no issue with PC tablets for Planning because they are volunteers and do a very important job and it was a minimal amount of

money. The interns he thought was a wonderful opportunity and wouldn't want to get rid of that. The crib attendants were part-time employees and he felt we should use as many part-time employees as possible because of less legacy costs. He would not be able to support it.

Member Fischer agreed with Mayor Gatt. He explained the technology benefits with additional cost savings as well. Interns are a cost effective way to get special projects for departments. It is better than taking a full time employee's time. Once explanations are received from City Administration, the answers or rationale makes sense.

Member Margolis appreciated that the most impressive thing was the speed of the response and the details for the immediate response for items.

Mayor Pro Tem Staudt supported all of them. He noted while good points were made and that it was fiscally responsible to question any new hiring or additional people, he agreed with Member Wrobel on all of them.

Member Mutch asked Mr. Hayes about the part-time tool crib attendant position and if Staff at DPS could provide the activities. The position was cut and then is being asked to put it back in the budget and it sounded like administrative activities. Public Service Director Hayes noted that they could provide that service but at a basic level. Otherwise, they have to pull the mechanics away from their work in order to control the tracking. He stated this would increase the efficiency of that division. The control that they have now is minimal. It is something they need tighter control over. Member Mutch was concerned about the possibility of a part-time position transitioning into full-time position and felt Director Hayes was doing a good job keeping tabs in terms of his employees.

City Manager Pearson noted the public hearing is scheduled for May 7, 2012 and could also place the budget approval on the May 7, 2012 meeting. It gives them time to get the final document out.

Member Margolis made it clear she would not support a budget with the change that was made to remove the Ring Road. It is her responsibility to help keep the City from doing something that could push us in a dangerous direction. She thought it was a big mistake on their part. She has been careful about doing things appropriately to move things forward when they needed to be watching in terms of the right-of-ways that we have.

Member Mutch noted Mayor Pro Tem Staudt expressed interest in moving away from the 10.5416 millage level by reducing the Drain Revenue fund the entire amount and setting the millage rate based on that amount. He thought they should have a discussion about that.

Mayor Pro Tem Staudt noted we would be forced to deviate from 10.5416. We've been using the Drain fund as a buffer to go up or down. There is no doubt that we have a substantial amount of money in that fund. He didn't believe it was necessary to

continue. It was done to keep the rate consistent. He thought it was time to drop down to 9.856. He felt it was time for the Council to recognize that our millage could potentially go down unless the voters decide otherwise. It would assist our efforts to see the Municipal Street fund millage pass. He didn't see the value anymore in keeping this artificial level and taking taxpayers' dollars and putting it into a fund we don't need the additional revenue anymore.

Mayor Gatt suggested to include it in the discussion they were going to have at a separate meeting. They could discuss all the millages at that time and give our Administration time to prepare for some of the questions we have.

Mayor Pro Tem Staudt asked if they were going to talk about the budget in any future meeting before the public hearing and adoption of the budget. Mayor Gatt confirmed that they will set a meeting to discuss the millages in item three on the agenda.

Member Fischer said it was a timing issue. If Member Staudt wants to change the millage rate this year, he didn't think we want to have that discussion on May 2<sup>nd</sup> because if we are looking for a May 7<sup>th</sup> adoption, we wouldn't be able to rerun the budget and review it prior to adopting it. The realistic thing is to discuss it. He would prefer it to have it as a holistic discussion and should be in conjunction with the changes of the road piece we are going to discuss. If it was a serious contemplation for this budget year, they need to discuss it a lot sooner.

Council recessed at 10:44 a.m.

Council reconvened at 10:56 a.m.

Mayor Pro Tem Staudt said the goal is to remove the .6851 drain revenue millage from the current millage. It is a fund that is currently funded; it would not be removing it entirely from the realm of us assessing it, but it would be deferring it at some future point. The capacity would remain for us to do that if it was necessary. The millage rate that would result would be 9.8565 that would substantially reduce the burden on our taxpayers. It would give us a starting point to work off and would be his recommendation to Council.

City Manager Pearson stated it helps to have the 10.5416 millage rate as one of our financial targets. We pay the Debt Service first, look at our operations, then Police and Fire fund, and the balancing number is the Storm Drain. We do have capacity there and there may be a need for future projects but he couldn't recommend the entire millage capacity sunset. The fact is that the way the numbers are, we could get away financially with not levying up to that 10.5416. It's more of a policy question. It wouldn't be wrong to fluctuate if there is a new direction Council wants to take.

Mayor Pro Tem Staudt noted the City Manager's concern was that some millages fluctuate slightly year to year. He mentioned if it would be better to set the millage rate to 10 and leave a slight amount of variance so there would be something to work with. Knowing that we are going to have .3388 drop off and not withstand anything that the

voters decide to do. We are in a period of transition coming up and will change next year anyways. There is no other drop-off activity until 2015-2016. So we would be able to maintain a set millage for those years in between that time. He wanted to take a proactive step to reducing that number.

Member Mutch asked Finance Director Smith-Roy what the total drop would be when our bond funds are paid off next year. She noted it would be the difference in the millage as he described as the point three tenths when considering the millages as we are looking at them today including the Drain fund. Member Mutch said the Drain fund levy is .6851 this year and leaves a capacity of .0868. Next year, even if we levy the full amount for the Drain fund, assuming everything goes as projected, our millage is going to go down next year. City Manager Pearson noted that on page 64 shows the breakdown, the rates, and the dollars with projections. Member Mutch discussed the current year we are in, our debt millage was 1.9015 mills, the projection for the proposed budget is 1.4806 debt millage, and then 2013-2014 it will be .978 mills. The fall off will be almost a mill of debt. In terms of the Drain Revenue fund, with the proposed budget, the .6851 mills will generate \$2 million. Of that, a million would be put in the fund balance. If we are looking at the fund balance for the end of this year, there is a projection of \$3.7 million dollars and appropriating another million in the next year. We are looking at \$4.7 million fund balance. It looks like expenditures are only about a million dollars a year for the next couple years. Our fund balance will be 4 times the size of expenditures. City Manager Pearson noted it was difficult to look at only one year like that. Compare one project such as the Village Oaks dredging project. If that took place, it would negate that. Member Mutch suggested looking at the multi-year budget and what would that show our fund balance for the next two years. It looked like \$4.7, \$6.2, and \$7.7 million fund balance out 2014-2015. City Manager Pearson would not be building it up to that level as this discussion was proposed to take place next year. Member Mutch asked about the Drain Revenue fund and the Drain Perpetual maintenance fund, which is funded by tap in fees. He asked what the current balance was in that fund. Finance Director Smith-Roy said the estimate by the end of 2013 is \$6.3 million and is on page 206. Member Mutch said that money would eventually be transferred to the Drain Revenue fund and that could potentially be available if needed. What he liked about the multi-year budgeting is the projects we know about are budgeted into that amount. He asked why we are levying .6851 mills this year and putting a million dollars in the fund balance and why we are collecting that amount if we don't need to. Originally, this fund was started to manage the regional storm water system and taxpayers were told it would manage wetlands, natural resources, and wasn't just for digging out ditches and dredging out lakes. We have moved away from using the funds to protect those resources. If we continue to ask voters to put money in a fund balance, he would ask that we spend those dollars to protect the natural resources.

Member Margolis was intrigued about the ability to use those funds to protect wetlands. She would be more comfortable with fund balances in accounts for large infrastructure. She was against building up huge fund balances in the General fund because the various water and sewer funds, the Drain funds are where we can pay for big ticket items. If something happens, she would rather it designated in those types of funds

rather than sitting in a General fund. Next year, she could support a reduction to the Drain fund, but multiple fluctuating tax levels are difficult to explain and not good policy. If we want residents to look at a Road fund millage increase next year, by dropping the millage, and then raising it up again is a big mistake. This money can be used for projects and would allow a more consistent policy. She cannot support a reduction now, but was willing to look at it next budget year.

Member Fischer echoed comments of Member Margolis. His concern was that Council has had a policy of the 10.5416 and to start playing with changing that amount before we ask voters for a change would be a mistake. He thought they should flush it through a year. That made more sense and for consistency. He didn't believe that one more year of this rate was a bad idea, knowing what we have coming up. It had great intent but just not in this budget cycle.

Mayor Pro Tem Staudt said it was a \$1.969 million tax reduction. He would support it.

Member Fischer understood the expenditures that take place are \$3.7 million dollars. Our expenditures would be more than our revenues of about a million dollars. So we would go from \$3.7 million to a \$2.7 million of a fund balance.

Member Mutch noted that it's always been adjusted to keep it to the 10.5416. We never looked at the revenue and expenditures for this fund because it was what made the 10.5416 work. The question is do we do it this year or next year. The majority of residents look at the tax bill bottom line and not the millage amount. He felt it could create some good will with residents. Based on the numbers, we have plenty of money in the Drain Revenue fund. The Drain Perpetual Maintenance fund has over \$6 million available if we need it. We could drop it down to 10 mills and are still able to fund everything we need. That is a selling point.

City Manager Pearson was concerned about the Perpetual Drain fund; it comes from development tap fees so it wouldn't be replenished. It is available but it is not the same. When the City was growing, the 10.5416 served our needs, it had its purpose in both good and lean times. He hoped for some middle ground.

Member Fischer said the proposal is to take about 7/10 off to about 9.8 mills and we anticipate another 3/10 mill coming off because of the Debt Service reduction, but increasing to 1.5 potentially. So in fiscal year 2014, we would be going back the 10.2. If we would direct Staff to find out if all three actions take place, what would that level out to be in the future? If we adjust the Drain millage this year, they could work out the result. That would be a way to reduce the taxpayer's burden. Everyone would like to see consistency and not fluctuation of the millage rate. The 10.2 middle ground would be that leveling off and keep the fund balance steady.

City Manager Pearson said if 10.07 were targeted, that would lower the rate from 10.54 to 10.1 as a compromise idea.

Member Fischer asked what the Drain millage would be this year if we dropped it to 10.1 or 10.2. Finance Director Smith-Roy calculated it to be .34 and would save taxpayers about a million dollars.

Member Margolis asked how to keep this consistent. We would lower it and if they pass the Road bond, it would stay at the same rate. She would support this and it doesn't have the millage rate bounce around.

Member Mutch agreed it was a good compromise. It met the needs of everybody. We could tell taxpayers we saved them a million dollars. Yet we are able to do that in a way that the fund will still have the same amount of money in that fund this year. If there is a terrible event down the road, we still have the capacity and can increase the millage if necessary. Member Fischer hit on the 10.2 with a nice round number.

**CM-12-04-056 Moved by Mutch, seconded by Casey; CARRIED UNANIMOUSLY:**

**To direct Administration to make adjustments to the Drain Revenue fund and millage rate to 10.2 mills.**

**Roll call vote on CM-12-04-056**                      **Yeas: Mutch, Wrobel, Gatt, Staudt, Casey, Fischer, Margolis**  
**Nays: None**

Member Fischer asked to revisit the Ring Road discussion. He would like to direct City Staff to look at some of the legal matters and provide some additional and a more thorough opinion through the City Attorney of the potential litigation surrounding the property. It would help him make a better decision.

**3. Discussion regarding meeting date for deliberations on any millage question to the public for 2012 (Wednesday, May 2 potential)**

**CM-12-04-057 Moved by Fischer, seconded by Mutch; CARRIED UNANIMOUSLY:**

**To meet Wednesday May 2, 2012 and have further budget discussion in addition to the millage question.**

**Roll call vote on CM-12-04-057**                      **Yeas: Wrobel, Gatt, Staudt, Casey, Fischer, Margolis, Mutch**  
**Nays: None**

**AUDIENCE COMMENT: None**

**ADJOURNMENT:**

The meeting was adjourned at 11:36 a.m.

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Robert J. Gatt, Mayor

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Maryanne Cornelius, City Clerk

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Transcribed by Jane Keller

Date approved: April 23, 2012