

**MINUTES
ST. CLAIR SHORES CITY COUNCIL WORKSHOP
FEBRUARY 27, 2010**

Mayor Hison called the workshop to order at 8:00 a.m. at the St. Clair Shores Country Club, 22185 Masonic, St. Clair Shores, Michigan with the following members present:

Present: Mayor Hison, Council Members Frederick, McFadyen, Rubello, Rubino, Rusie and Walby

Also Present: City Manager Podolski, Assistant City Manager Smith, City Clerk Kotowski, Director Haney, Controller Schuster, City Attorney Ihrie, Plante Moran Dave Herrington and Jenny Cederstrom

A. DISCUSSION ON BALANCING FUTURE BUDGET YEARS

Mr. Podolski started the meeting with an overview of the items to be discussed: what millage language to place on the ballot this year, direction from Council on employee concessions, elimination of services and collaboration of services with other municipalities. He had been talking with other elected officials and administrators regarding all of our abilities to work together on combining services. A lot of items will be proposed and discussed that may never come to fruition as today is a brainstorming session. As always the Mayor and Council will come to a consensus and the Administration would implement the items.

Mrs. McFadyen asked for clarification on a letter to the editor in the Sentinel regarding the Library Director and Assistant receiving big raises. Mr. Podolski responded that the letter was not correct.

1. PROACTIVE MEASURES TO DATE

a) Positions eliminated

Mr. Smith updated Council regarding the positions that had become vacant in City Departments, and cost savings generated by not filling every position. DPW Director Position and the department as a whole are being reviewed to determine the best way to restructure this department.

b) Extra voted millage (expires 6-30-2011)

This millage will expire in the next budget year. There were lengthy discussions regarding this language and how this language would appear on the ballot. When the millage language was written we were assuming a 3% increase on taxable value each year and as last year and this year have shown, we can no longer assume an increase in taxable value.

To place a Millage Proposal on the August 3, 2010 State Primary Election the deadline for Council to approve the language is March 15, 2010 and for the November 2, 2010 State General Election the ballot language must be approved by June 21, 2010.

2. FUTURE MEASURES

a) Consolidated Services - Update on dispatch consolidation

Mr. Podolski stated when he was at the County Fire Fighters Ball last evening it was good to hear other municipalities talking about consolidating services. We believe collaboration of Dispatcher services with the cities of Eastpointe and Roseville could result in a savings of \$190,000 and \$276,000 each year after. These projected savings do not include future pension and benefit cost savings.

He gave a brief overview on how this process would work, that an Authority would have to be formed and that Council over the next several months would have presentations on the Authority process, and it possibly could be worked for implementation by the end of summer.

He asked Council for consensus for the Finance Team which would include the new City Manger to be able to meet with the other Cities to begin working on this process. The process would include Intergovernmental agreements that would be reviewed by our City Attorney and approved by City Council.

Mr. Ihrie addressed the concern that his firm is the City Attorney for both St. Clair Shores and Eastpointe and noted that for this negotiation and review he would advise the City of Eastpointe they would need to hire separate counsel.

Mr. Podolski stated he has told other communities that if they are going to survive we need to work together and combine departments. Police Chiefs realize their departments cannot stay the size they are but if we combine

2a) Consolidated Services – Update on dispatch consolidation (Cont’d)

departments with other municipalities, by scaling back certain services while keeping tremendous departments for the 3 communities and eliminate redundancies.

The City of Eastpointe was considering a public safety department in place of their existing Police and Fire Departments, but since their meetings on collaborated services last week we all could maintain both and still provide advanced life support services.

It was noted that every municipal agency is going to have less employees, and the remaining employees will have to give concessions. As well we will need a millage approved, some level of services will drop; but if we work with other municipalities we would not lose as much.

Mr. Podolski was directed to update residents on the City plan to look toward consolidation of services with neighboring communities at the March 1, 2010 Meeting under his report.

There was consensus that reserves should not be used to balance the coming budget year. The 2011 Budget Year shortfall will be \$4,784,171. This shortfall is a result of the \$2 million revenue decreases from property taxes, the decreases in State Shared Revenues and the increases in legacy costs. In the current fiscal year, June 30, 2010, we have a \$2 million deficit and 2011 with a \$4.7 million deficit. The lion shares of these deficits are the decrease in revenues.

Council and Administration discussed the following cost savings ideas:

Items to consider as possible cuts	Savings
5% decrease in wages for all employees	\$1,200,000
5% additional decrease in compensation for all employees	
10% Salary cut recommendation to the Elected Officials Compensation Committee for Mayor and Council	
Eliminate subsidy to the Library (cut to 40 hours operations)	22,087
Reduce GEP OPEB funding by 25%	1,372,896
Reduce Police & Fire Pension OPEB funding by 25%	
Reduce Fire Dept. Overtime	405,375
Reduce Police Overtime	624,741
Eliminate/Reduce Temporary Employees	131,181
Eliminate contract employee in IT	55,000
Eliminate Code Enforcement Supervisor	135,114
TIFA Refund	300,000
	\$4,374,394

It was noted the Public Act 312 Binding Arbitration may provide a road block from being able to obtain the 5% -10% decreases in Police and Fire. Mr. Smith noted that in recent arbitration rulings the “ability to pay” is being recognized with these awards.

Mr. Walby noted that if we can’t get 5% wage decreases from our employees it is a disgrace and our residents need to know this. As other municipalities are obtaining a 10% across the board decrease, maybe that is the number we should be looking at; as it is better than losing their jobs.

Mr. Podolski noted that because of the Millage we have to keep the staffing numbers at the Police and Fire Departments but he can cut overtime substantially, with Council concurrence.

Mr. Smith noted that when we were proposing healthcare changes we could not get the Fire Fighters union to agree to a contract. As we have retirements upcoming in the Fire Department, he had to test for the upcoming vacancies, this was the first time in his career that he told applicants that they should not count on having their jobs in the future years.

There was consensus by Council for Administration to proceed with overtime cutting options at the Fire Department, such as taking one engine out of service if there is not enough staff to man it. We would not call in additional staff to man an engine under overtime.

Mayor Hison stated if we are asking staff to take pay cuts we should allocate 10% pay cuts for ourselves.

2a) Consolidated Services – Update on dispatch consolidation (Cont'd)

Mr. Ihrie noted that Council does not have the authority under our Compensation Commission Ordinance to cut its own salary. He had reviewed the Compensation Commission Ordinance and the Commission can be convened this year if that was Council's direction. There was concurrence from Council to proceed with this.

It was noted that St. Clair Shores has mutual aid agreements with neighboring communities to aid services and noted that the City of Harper Woods has not complied with the terms of the agreement and the City Attorney has been advised to place them on notice for non-compliance of the agreement terms.

If we reduce the General Employee Contribution to fund OPEB (other post employment benefits) it should be done to both pension systems equally. It was noted that if the Police and Fire OPEB payment is reduced 25% they may not have to raise the millage this year.

The question was raised are we going to end up being stupid for starting to fund OPEB as part of the GASB requirements and then State/Federal Government will relax the standards in the future. It was noted by our starting to fund these liabilities; our long term bonding rating went up to a AA-.

Cutting the Police Department's overtime by 90% would not include overtime that the City is reimbursed for and it would require Council to continue their direction to Administration to require that the overtime costs be paid for special events. This was noted as a reminder that when groups come to you for the cruise, fireworks etc. they have to pay for the Police and Fire services used.

All Michigan municipalities are dealing with legacy costs, property value decreases and it can no longer be business as usual. The collaboration of services with neighboring communities is one of our options. A regional Dispatch services authority has been researched in the last several years. The City as well as neighboring communities collaborating services would allow for the removal of redundancies while maintaining services. This may entail up to 25-30 positions in the Police Department.

It was noted that Clinton Township had 20 firefighters retire, they are not replacing them and they may still have to eliminate 15 to balance their budget.

The discussion regarding eliminating 90% of the Police Department overtime does not include overtime we are reimbursed for such as overtime at school football games but does propose eliminating SWAT, school liaisons and limiting overtime that is not reimbursed.

Mayor Hison noted if everyone takes the 5-10% wage cuts then maybe all the overtime would not have to be gone. We are all concerned about resident safety as we are at a time when crime is increasing. By negotiating with the employee unions on wage concessions we may be able to keep jobs and services.

Mr. Podolski noted you cannot guarantee jobs based on wage concessions and we need to work year to year because we do not nor cannot know the external factors we have no control over.

Mr. Smith noted that last year we thought the UAW PEA union concessions would be good. Then we received the sales survey and these are not enough reductions over all for us to balance the budgets.

Discussion on wage concessions raised questions on looking at a sliding scale, concern for single parent employees and the effect a 10% concessions would have. It was noted there is a difference between compensation and salary.

Mr. Smith noted the example that he obtained: a pension concession to reduce total compensation, like making changes to what makes up the final average compensation. This is a public meeting and we have a fire employee in attendance and reminded Council that they want to be careful about giving him negotiation directions today.

Budget cutting options regarding cutting the hours and/or elimination of temporary employees and the impacts they would have in departments were reviewed. They looked at the effects in Communications such as we would be eliminating extra programs and extra editing of shows and how this could still be accomplished. In Police records it would reduce the hours this department is open to the public. In Parks and Recreation the counter may not be open as many hours, and sports program planning would be decreased.

Council does not have the authority over the Court on how they spend their budget but can reduce their budget allocation from the City.

2a) Consolidated Services – Update on dispatch consolidation (Cont'd)

Mr. Smith noted that we can ask the Actuary to change the assumption rates for the next 3 years to indicate zero in wage increases and for the years after to project only a 2 to 2.5 increase. That would have an impact on the City's contributions.

b) Future positions

Discussion regarding upcoming vacated positions was raised and if Council wanted staff to look at encouraging possible eligible retirees to move in that direction. The consensus was yes if it makes sense for positions that may not be filled when vacated.

c) Future services

Discussion on converting to User Pay Services at Parks & Recreation was discussed as an option to ensure that the activities, programs, facilities uses are charging enough for use/participation to cover the total costs to provide these services as today they are not.

The City pays for street lights we could eliminate this expenditure.

d) Additional voted millage

Mr. Podolski discussed what millage rate we are going to need to ask the voters to vote on and if Council wants to put on the ballot, at the same time, the voters' approval to sell any of the City's assets.

Mayor Hison noted that he did not feel that was off the table but would anyone want to sell their house today, when we are facing a 40% reduction in its value? The timing for selling a City asset may need to be considered when the market rebounds.

Mr. Rubino stated he felt we are at a reset of the values of real estate. We will see only a 3-8% increase over time and this does not affect his decision to consider selling City assets.

Mr. Podolski suggested that Council should consider obtaining the residents permission to sell assets that is required in the City Charter and then City Council would determine when to sell the assets. By asking the citizens now we would know if we could sell an asset.

Ms. Rusie said that placement of the question on the ballot would get us past the hurdle of getting their permission to sell our assets and/or we would know the residents decision if selling assets and which ones are hands off.

Mr. Walby noted that getting residents' opinions about the sale of assets may be ok but he would want their opinion to be asset specific and not have Council chose the specific one to sell.

Mr. Rubello commented that he would like staff to consider revenue makers such as selling naming rights to a one of the ball fields, buildings etc. instead of selling assets first.

Mr. Podolski recapped that we have talked about concessions, elimination of services and positions and we need direction on what millage rate Council wants to ask residents to approve; is it 2 mills, is it the current Police and Fire 1.5656 mills? Would it be a Police and Fire millage without staffing numbers? The millage number Council chooses will determine if it is a short term stop gap or curing the whole budget deficit problem.

Mayor Hison noted that we need to have evidence that we are doing our part to reduce the deficits, before we ask voters for a millage.

Mr. Ihrie noted the Charter amendment by the residents in the 1980's limited the City's ability to levy more than 8 mills without a vote of the people. At the recent Charter Study Committee meeting they concurred in the decision to not amend parts of the charter but to recommend to City Council that it was time for a new City Charter. This would occur by Council action and then the election of Charter Commissioners to draft a new Charter and be adopted by the residents in the City. This is very similar to what Macomb County just accomplished.

The consensus of Council was to not ask for more than the current amount being levied (1.5656 mills) in the Police and Fire Millage. And the consensus was that the guaranteed staffing numbers would not be in the wording. Without staffing numbers in the millage language it would not be a renewal of the millage.

2d. Additional voted millage (Cont'd)

If the millage number is the current levy amount from the Police and Fire Millage of 1.5656 mills it is a stop gap and at some point we would have to go back to the voters for additional mills to help with the deficit. The deadline for Council action to place a proposal on the August State Primary Election is March 15, 2010 and the deadline for placement on the State General Election is June 21, 2010.

Mayor Hison stated that we have to look at every department, under every stone and then say to the residents this millage is a requirement and if it fails we would have to make more reductions.

There was consensus to go out for the same millage rate, not including staffing numbers and determine what type of millage it would be called.

Mr. Podolski stated that the way to get a millage passed is to have all 7 members of Council shaking their heads the same way and demonstrating their support of the cuts we have made. Noting that the need is as a result of the lowered property values and we will still try to continue to provide the best services.

3. QUESTIONS AND ANSWERS

There was consensus to bring up the request for exploration of the collaboration of services with other municipalities under the City Manager's Report on Monday.

When would Council know about 5% wage concessions? Mr. Smith responded that he would start calling people tomorrow.

Would we want to consider furlough days as other municipalities have? Consensus was not if a furlough day affected resident services. It was also noted that does not work with 24 hours operating departments.

Mr. Podolski noted that no one feels good about taxes, layoffs, cuts in services and he thanked Council for talking about it. He also noted that many ideas and brainstorming suggestions have been shared and the Mayor and Council, after further reviews, will come back with a consensus on how they wish us to proceed.

4. ADJOURNMENT

The meeting was adjourned by Mayor Hison at 10:58 a.m.

ROBERT A HISON, MAYOR

MARY A. KOTOWSKI, CITY CLERK