



1000 Rochester Hills Dr.
Rochester Hills, MI 48309
(248) 656-4600
Home Page:
www.rochesterhills.org

Rochester Hills

Minutes - Draft

City Council Regular Meeting

*Erik Ambrozaitis, J. Martin Brennan, Greg Hooper, Vern Pixley, James Rosen,
Michael Webber and Ravi Yalamanchi*

Monday, March 10, 2008

7:30 PM

1000 Rochester Hills Drive

CALL TO ORDER

President Hooper called the Regular Rochester Hills City Council Meeting to order at 7:31 p.m. Michigan Time.

ROLL CALL

Present 6 - Erik Ambrozaitis, J. Martin Brennan, Greg Hooper, Vern Pixley, Michael Webber and Ravi Yalamanchi
Absent 1 - James Rosen

Others Present:

*Ed Anzek, Director of Planning & Development
Bryan Barnett, Mayor
Scott Cope, Director of Building and Ordinance Compliance
Ronald Crowell, Fire Chief/Emergency Management Director
Kurt Dawson, Director of Assessing & Treasury
Julie Jenuwine, Director of Finance
Jane Leslie, City Clerk
Leanne Scott, City Council Coordinator*

Council Member James Rosen provided previous notice he would be unable to attend and asked to be excused.

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

A motion was made by Webber, seconded by Pixley, to Approve the Agenda as Presented. The motion CARRIED by the following vote:

Aye 6 - Ambrozaitis, Brennan, Hooper, Pixley, Webber and Yalamanchi

Absent 1 - Rosen

PUBLIC COMMENT

Mr. Lee Zendel, 1575 Dutton, apologized for erroneously stating that Farmington Hills was receiving seven figures in revenue for the sale of recycling at a previous Council meeting. They currently have a millage for trash collection, and a flat fee for yard waste and recycling. This flat fee goes on the tax bill along with the millage. That revenue number is seven figures.

Harper West, 3128 Walton, presented 97 signatures gathered in support of a single trash hauler to Council. She mentioned that going with a single trash hauler will allow the City to negotiate a better price. She stated this is a straightforward issue and strongly urged Council to recognize the interest of the residents to go with a single trash hauler.

Paul Funk, 2176 Rochelle Park, speaking on behalf of the Rochester Auburn Hills Community Coalition, thanked Mayor Barnett and Mike Hartner for attending last week's Youth Dialogue Day. Forty-some adult leaders across the community attended. He stated that data will be coming out in the next few weeks and he will be sure to share that with Council.

LEGISLATIVE & ADMINISTRATIVE COMMENTS

Mayor Barnett echoed Mr. Funk's comments regarding the Youth Dialogue Day stating it is an exceptional event in the community where Government and law enforcement leaders come together with students to discuss ways to protect students and communicate with them. He congratulated Mr. Funk and the Rochester Auburn Hills Community Coalition for their success with this event.

Mayor Barnett stated the Sound the Alarm Campaign will take place this Saturday from 9 a.m. until 3 p.m. He explained that Sound the Alarm is the campaign to put smoke detectors into homes that do not currently have them. He encouraged those in the community that wish to get involved; there is still time to participate.

Christina Winkler, Rochester Hills Government Youth Council Representative, gave an update on the Youth Summit scheduled for Saturday, April 26, 2008. She stated they are holding weekly meetings to plan this event. She mentioned that they have received a grant in the amount of \$500 to help with the fund raising.

Mayor Barnett pointed out that the Youth Council, on their own, applied for and received their grant without City assistance. He stated this is another example of what a tremendous group they are, and the City supports them.

ATTORNEY MATTERS

City Attorney John Staran was absent.

PRESENTATIONS

None

CONSENT AGENDA

All matters under Consent Agenda are considered to be routine and will be enacted by one motion, without discussion. If any Council Member or Citizen requests discussion of an item, it will be removed from Consent Agenda for separate discussion.

2008-0093 Request to proceed with the City Attorney's recommendation concerning the *Rochester Hills v Amazing Grace Properties* litigation case.

Attachments: [Agenda Summary.pdf](#)
[Survey.pdf](#)
[Resolution.pdf](#)

This Matter was adopted by Resolution on the Consent Agenda.

Enactment No: RES0055-2008

Whereas, the City of Rochester Hills filed a condemnation lawsuit to adjudicate just compensation for the City's acquisition from Amazing Grace properties, LLC, of right-of-way necessary for the Adams Road realignment project (a/k/a Adams Road parcel 11); and

Whereas, the case proceeded to a case evaluation hearing on February 24, 2008; and

Whereas, the City's Attorney prepared a written, privileged communication, dated February 26, 2008, concerning the case evaluation, which was discussed with City Council in Closed Session.

Resolved that the Rochester Hills City Council authorizes the City's Attorney to proceed in accordance with his recommendation set forth in his February 26, 2008 written, privileged communication concerning the case evaluation award in *Rochester Hills v Amazing Grace Properties*, Oakland County Circuit Court Case No. 07-080232-CC.

Passed the Consent Agenda

A motion was made by Yalamanchi, seconded by Webber, including all the preceding items marked as having been adopted on the Consent Agenda. The motion carried by the following vote:

Aye 6 - Ambrozaitis, Brennan, Hooper, Pixley, Webber and Yalamanchi
Absent 1 - Rosen

NOMINATIONS/APPOINTMENTS

2008-0091 Nomination/Appointment of four (4) Citizen Representatives to the Police and Road Funding Technical Review Committee each for a term to expire December 2008.

Attachments: [031008 Agenda Summary.pdf](#)
[Police and Road Funding TRC Appt Form.pdf](#)
[William Bidwell C.Q.pdf](#)
[Don Cline C.Q.pdf](#)
[John Dalton C.Q.pdf](#)
[Paul Funk C.Q.pdf](#)
[Dale Hetrick C.Q.pdf](#)
[Tim Jacobson C.Q.pdf](#)
[Walter Johnson C.Q.pdf](#)
[Jennifer Stein C.Q.pdf](#)
[David Kibby C.Q.pdf](#)
[Gerald Robbins C.Q.pdf](#)
[Beth Tilove C.Q.pdf](#)
[Thomas Blackstone C.Q.pdf](#)
[Thomas Neveau C.Q.pdf](#)
[031008 Resolution.pdf](#)

Mr. Brennan requested that Council extend making nominations for one more week in light of the seven additional Candidate Questionnaires they were given this evening.

Mr. Yalamanchi concurred.

President Hooper requested that the information regarding the vacancy remain on the City's website indicating that candidate questionnaires are due by Wednesday, March 12, 2008. He stressed that this was no reflection on the residents that have already submitted questionnaires, as they are highly qualified, but rather that he would like to have a chance to review the additional submissions.

Mr. Webber stated that the committee did meet with the three Council members and staff on Thursday, March 6, 2008, and the next meeting is scheduled for April 3, 2008. He feels it would be advantageous for Council to seat the rest of committee by the April 3 meeting. He stated that he has no problem with postponing the nominations until the next meeting.

Mr. Ambrozaitis also concurred with postponing the nominations, noting that there has been a good group of people who have submitted questionnaires to date.

Mr. Pixley commented that based on the impact of this Technical Review Committee, he believes it is prudent that as many people that are interested have chance to submit their resumes.

President Hooper indicated that if there are only four nominations at the March 17, 2008 meeting, they will be appointed at that meeting. If there are more than four, the item will defer to the March 31, 2008 meeting for a vote.

A motion was made by Brennan, seconded by Yalamanchi, that this matter be Set Over to the City Council Regular Meeting of March 17, 2008. The motion CARRIED by the following vote:

Aye 6 - Ambrozaitis, Brennan, Hooper, Pixley, Webber and Yalamanchi

Absent 1 - Rosen

2008-0092 Nomination/Appointment of four (4) Citizen Representatives to the Charter Non-Structural Technical Review Committee each for a term to expire December 2008.

Attachments: [031008 Agenda Summary.pdf](#)
[Charter NonStructural TRC Appt Form.pdf](#)
[Paul Funk C.Q.pdf](#)
[Melinda Hill C.Q.pdf](#)
[Darlene Janulis C.Q.pdf](#)
[Beverly Jasinski C.Q.pdf](#)
[Thomas Neveau C.Q.pdf](#)
[Jennifer Stein C.Q.pdf](#)
[Eric Sturgis C.Q.pdf](#)
[Lee Zendel C.Q.pdf](#)
[031008 Resolution.pdf](#)

Mr. Ambrozaitis stated that in light of prior agenda item, he felt the nominations for this committee should also be extended for one week.

President Hooper requested that the notice of vacancy for this committee be kept on the City's website for applicants. He stated as in the prior item, if there are four nominations made next week, they would be appointed at that meeting. If more than four, a vote would be taken at the March 31, 2008 meeting.

President Hooper mentioned that he, Mr. Yalamanchi and Mr. Rosen were Council representatives on this committee. He stated that a lead should be selected for this committee.

Council concurred that President Hooper should be lead on this committee.

A motion was made by Ambrozaitis, seconded by Yalamanchi, that this matter be Set Over to the City Council Regular Meeting of March 17, 2008. The motion CARRIED by the following vote:

Aye 6 - Ambrozaitis, Brennan, Hooper, Pixley, Webber and Yalamanchi

Absent 1 - Rosen

NEW BUSINESS

2008-0089 Discussion regarding the City's Financial Forecast and Financial Policies

Attachments: [031008 Agenda Summary.pdf](#)
[031008 Financial Forecast Presentation.pdf](#)
[031008 Financial Policies Review.pdf](#)

Julie Jenuwine, Finance Director, presented the City of Rochester Hills' Financial Outlook for 2009. She thanked Council in advance for their participation. She stated she appreciates City Council's aggressiveness in looking at their goals and objectives this year as well as policies in preparation for Fiscal Year 2009. She noted that significant changes are expected from what the City has experienced in the past.

Ms. Jenuwine indicated that the City has 36 separate funds, and 77 different departments. She noted that this forecast is constantly changing. This forecast is updated five times per year as data is received, and it is not set in stone for the year's duration. As revenues change, charges for services, Act 51 revenues, and expenditures change, this outlook is updated.

Introduction: This forecast was prepared if City programs and practices continue as they exist today. This is important to remember when viewing the negative fund balances and some structural deficits. The deficits noted are correctable by changes in practices and policies.

Past Six Months: Housing market values have continued to decline, causing outlooks to change. No one knows when the City's housing market will recover. The City is continuously getting data on the housing market decline, and this data does not indicate that a reversal is in sight. Approximately 50% of the revenue the City collects is generated from property taxes. This 50% pulls out the transfers between funds, the use of fund balance, and also the water and sewer utility. No one knows how long the market downturn will last. Ms. Jenuwine stated that if City Council wanted to use different assumptions, she could recompute these figures.

Assumptions Used:

- No Headlee rollback projected
- Tax revenue is projected to fall from 2010 through 2013
- Assumes City's millage rate is not increased beyond 9.7060 (although permissible)
- State Shared Revenue is projected to remain stable.
- Act 51 Revenue is projected to remain stable
- Building fee revenue projected to decline between 2010 and 2013
- Cable Franchise fees are projected to be \$100,000 and \$150,000 less for 2008

- and 2009 respectively, then stabilize throughout the balance of the forecast
- Capital Projects from CIP are incorporated into the forecast
 - Healthcare is projected to increase 15 percent in 2009 and 10 percent each year thereafter
 - Total City Taxable Values projected:
 - 2009 increase by 0.60%
 - 2010 decrease by 4.5%
 - 2011 decrease by 5.0%
 - 2012 decrease by 5.0%
 - 2013 decrease by 3.0% and
 - 2014 stabilize

Mike Webber asked for clarification of the cable franchise reduction. He stated that with three providers, Comcast, WOW and AT&T, the City should not be losing revenue.

Ms. Jenuwine stated that having additional providers tends to reduce rates. Cable franchise fees are based on a percentage of revenues. If rates are reduced, that revenue is smaller. Ms. Jenuwine also mentioned a credit for these providers when they pay their Metro Act monies. If they get a credit for their Metro Act monies, this will reduce franchise fees coming in. This is legislation that has recently gone through and she has not seen this reduction materialize as yet.

Ms. Jenuwine stated the projections on Total City Taxable Values are for all properties in the City, not just residential. The decreasing values for 2010 and beyond are based on the current indicators, departures from Michigan, and the "buyer's" market for real estate pushing prices down.

General Observations - review of the millage forecast:

- 2009 Taxable Value will only generate an additional \$9,000 per mill, 2010 taxable value may generate a decrease of \$161,000 per mill
- City's general millage rate may decline in 2009 and 2010 due to GO bond millage needed (assumes City's millage rate to remain at 9.7060).
- City may reach its Headlee limit in 2011 (assumes fire millage remains at 1.8 mills)
- 2011 may be the beginning of the total City millage rate reduction (assumes fire millage remains at 1.8 mills).

Ms. Jenuwine discussed the revenue that one mill generates, pointing out that next year one mill should generate \$9,000 additional. Currently, one mill generates approximately \$3.6 million. In 2010, that will decline to \$3.5 million per one mill, with future years showing declines as well.

Ms. Jenuwine gave a brief history and projection for the Operating Millages: For 2009, the Charter Levy is proposed to decrease from 3.8 to 3.7 mills. This adjustment is required due to a Bond Millage required to pay a balloon payment, estimated at approximately 0.44 mills for next year. Assuming Council leaves the Charter Levy at 9.7060 mills, an increase in the Debt Levy causes a reduction in tax revenue to the General Fund. Ms. Jenuwine also related that as taxable values are decreasing, if City Council chooses to keep the millage

rate constant, more will have to be levied for debt. This taxable value is causing raising of Debt Millages, leaving less in the Charter Millage.

Ms. Jenuwine related the impact of the assumption of no Headlee Rollback. According to that forecast, the City will max out the Charter Millage in 2011. Adjusting for General Obligation Bonds that will be ending, will lower the millage to 9.5, which is 0.18 lower than 9.7060. This represents \$622,000 of revenues that the City is not collecting now. The millage is almost forced if we do not increase the Fire Millage. These numbers are extrapolated out to 2016. As the debts fall off, the Headlee max being realized, a reduced millage rate is forecasted to 2016. The differential between the current millage and the estimated millage, converted to dollars, by 2016 equates \$3,000,000.

General Fund:

- No use of fund balance until 2012, structural deficit each year after
- Current transfers out are not sustainable.
- Local Street Fund transfers decline between 2008 and 2001 to \$0 in 2012
- Transfers Out to Police Fund equals \$3.3M in 2008 and increases to \$7.9M by 2015.

(Mayor Barnett exited the room at 8:23 p.m.)

Ms. Jenuwine further stated that continuing current programs, by 2016 it is projected that there would be a cumulative negative fund balance of \$6.3 million which is not allowed in municipal government.

President Hooper stated that we have designated expenses that we anticipate spending out of that General Fund Balance. He asked if the forecast ignores that in this assumption.

Ms. Jenuwine responded that this forecast ignores the designation. She clarified that currently the designation signifies City Council's intent to spend its money; it is not a legal reservation of those monies. That designation is put aside and this is 100% of the fund balance in the General Fund.

Ms. Jenuwine provided information on the transfers out of the General Fund which is significant due to subsidizing the various special revenue funds and other programs. The City is transferring over \$10 million to the various funds. If there is any extra, it gets transferred to the Local Road Fund. In 2008, over \$5 million was transferred to the Local Road Fund. If nothing else changes and no other policies get adjusted, there will be almost a \$1.3 million reduction to the Local Road Fund. Over the years, without making any adjustments, the transfer to Local Roads keeps decreasing. In 2012, no money will be transferred, and the General Fund will start a structural deficit. She gave the example of Police Funding, at 60 deputies, will increase from \$3.3 million to \$5.2 million in 2011.

Major Road Fund

- Use of substantial fund balance (by design) through 2013 based on adopting ALL of the Major Road CIP projects. Fund balance decreases into negative between 2014 and 2019, emerging into the positive thereafter.

- Assumes 0.1000 mill transfer from General Fund continues.

Ms. Jenuwine stated that there are a significant amount of CIP projects in the Major Road Fund. She explained that the fund balance is declining, but that is by design. Through the CIP process, it was planned that the City would have some major expenses in this fund in the future. A lot of those projects were pushed back, but assuming that the City goes forward with these, the City will see a deficit by 2014. She stated that it is probably just a matter of taking a couple of projects out and this fund will be back in the black again.

Local Street Fund:

- No capital projects after 2009 are funded
- Transfer from General Fund declines between 2008 and 2011. Transfer from General Fund is \$0 in 2012 and each year thereafter
- Operating budget - structural deficit begins in 2010 with a negative fund balance in 2011 and beyond (Revenue \$1.2M versus Operating costs \$4M).

Ms. Jenuwine stated that the transfers would dramatically decrease today through 2011. By 2010, those transfers are not enough to even support operations. Beginning in 2009, the Capital Projects end in the Local Road Fund. There will be no more funding for Capital Projects. General Fund transfer will not be sufficient to support any Capital Project. The Operating Budget, not including any Capital, will show a deficit beginning in 2010 of \$608,000. Revenue sources, with our declining projected estimates, are not sufficient to sustain the operations for the Local Roads.

(Mayor Barnett re-entered at 8:32 p.m.)

Fire Operating Fund:

- EMS collections remain constant at \$1.0M
- Tax revenue declines (if 1.8 mill levy continues)
- Structural deficit begins in 2010 with a negative fund balance in 2012 and beyond
- Transfers Out to Fire Capital Fund stop after 2008

Ms. Jenuwine stated this forecast assumes the Fire Millage remains at 1.8 mill. It has been at this level for a couple of years now. This illustrates that \$1.8 million dollars currently generates enough for operations and currently allows for \$300,000 to be transferred over to the Fire Capital Improvement Fund for future replacement of large apparatus. In 2009, no monies are projected to be available for transfer. The 1.8 mills that the Fire Fund levies will be used for operating costs. There is a structural deficit estimated for 2010 at \$308,000, and that will continue to grow.

President Hooper asked what assumptions were made for personnel increased costs on a year-to-year basis.

Ms. Jenuwine responded that assumptions were similar to past contracts at 2.5 percent.

Mr. Yalamanchi questioned how commercial vacancies affect taxable values.

Kurt Dawson, Director of Assessing and Treasury, stated that commercial vacancies do decrease taxable values. The largest part of the City's assessment roll is residential property, and that is expected to realize a 10 to 12 percent reduction in assessed values next year. Half of this residential assessment roll is influenced by the inflation rate on the taxable value, so that translates to a reduction of only four-and-a-half percent projected. The actual value decrease for residential is much more significant than the four-and-a-half percent reflected in the taxable value.

Mr. Yalamanchi questioned if commercial property is built up but not leased out, the City will not get the full taxable value on the property.

Mr. Dawson stated that was correct.

Mr. Ambrozaitis questioned where the inflationary factor being used came from. He asked if it was the Federal Reserve in Chicago that sets that number.

Mr. Dawson answered it is the State of Michigan's Consumer Price Index.

Ms. Jenuwine discussed the Special Police Fund:

Special Police Fund

- Transfers in from the General Fund equal \$3.3 million in 2008 and increase to \$7.9 million by 2015 (The General Fund has a structural deficit).

- It is also assumed that the two dedicated voted millages are renewed after 2014.

Based on the forecast, the City will go from almost having double revenue from the taxes generated to the reverse. This forecast is different from the 2008 budget due to the housing market downturn.

Ms. Jenuwine stated that the Police Fund also assumes staffing remains at 60 deputies, with no increase, and the same service levels.

Fire Capital Fund

- Healthy in the short to mid-term

- Transfer in from the Fire Operating Fund will stop in 2009 as the operating budget may utilize the entire millage.

Ms. Jenuwine's observations on the Fire Capital Fund projects a draw down on the fund balance as the operating expenses are projected to be close to the monies the millage brings in by 2008.

Pathway Construction Fund

- 2001 is projected to have a negative fund balance due to large expenditures for Capital Projects totaling \$6.9 million from 2008 through 2012.

Ms. Jenuwine stated that this forecast looks different from when City went out for renewal approximately one-and-a-half years ago. Coming out of the 2007 fiscal year, there is a Fund Balance of \$2.6 million. That is projected to be \$1.6

million by the end of 2008. Between 2008 and 2012, there are almost \$7 million in Capital Improvement Projects for pathways. If these are accomplished, there is a projected negative fund balance of \$1.3 million in 2011.

Capital Improvement Fund

- Continues to grow (transfer from General Fund was reduced to 0.1000 mill in 2008 from 0.2500)
- Typically used to fund new Capital projects that don't have "replacement monies" accumulated in the Internal Service funds.
- \$3.6 million undesignated fund balance and forecasted to grow by approximately \$300,000 annually.

Ms. Jenuwine stated that by 2013, the Fund Balance will be estimated at \$6.2 million. This fund does not have any expenditures in this forecast. Historically it has been used for new capital projects. The Capital Improvement Fund is for new items: typically technology and new parks projects. This fund is not restricted to those items.

Mr. Yalamanchi asked what the pros and cons were of not transferring 0.1 mill into this.

Ms. Jenuwine stated that the 0.1 mill could be used elsewhere, such as Roads or Police.

Debt Funds

- Debt payments are funded prior to other City programs
- All obligations are forecasted to be met

Ms. Jenuwine stated that the forecast takes care of debt obligations first. There are bond covenants to abide by, and there are sufficient fund balances to meet obligations.

Water and Sewer Funds excluded from this forecast.

- The fund is self-sufficient
- Technical Rate Committee will present its July 2008 rates recommendation to Council in May.

Ms. Jenuwine stated that this fund is historically sufficient. The City collects user fees to cover expenditures. News from the Detroit Water and Sewer Department indicate a significant rate increase is coming.

Internal Service Funds

- Facilities Fund - Approximately \$9 million in "fund balance"
- MIS Fund - Approximately \$3.2 million in "fund balance" and future replacement is adequately funded
- Fleet Fund - Approximately \$5.5 million in "fund balance" and future replacement is adequately funded.

Ms. Jenuwine summarized the following: One mill is forecasted to generate hundreds of thousands of dollars less. Inflation is a factor, as well as the projected decrease in collection. This forecast also presumes that the City

continues current operations. No policies or programs were changed in this forecast.

Mr. Ambrozaitis asked Mr. Dawson to give a projection of how many households will meet the threshold where taxable value equals assessed value. Mr. Ambrozaitis recalled that last year roughly 33 percent of homes were at that level.

Mr. Dawson replied that the numbers going into the Assessor's Board of Review is approximately 46 percent of the assessed values. Taxable values will be the same.

Mr. Ambrozaitis questioned if this number could move above 55% next year.

Mr. Dawson indicated this was a possibility, as a residential property decrease of ten percent is projected for next year.

Mr. Ambrozaitis stated that his concern would be if the inflation rate would actually decline, this would have greater implications.

Mr. Dawson indicated the inflation rate used was 3.7 percent last year and 2.3 percent this year. The County's early projections are a projection of four percent for the Consumer Price Index for next year.

Ms. Jenuwine reviewed Fiscal Year 2009 Financial Policies that she requested be considered by Council for acceptance:

Fiscal Year 2009 Financial Policies:

- The budget document shall serve as the annual financial plan for the City. It will serve as a policy document for the City Council to implement their goals and objectives. The budget shall provide the administration with the resources necessary to provide the level of service determined by City Council

Ms. Jenuwine stated that she would like City Council to acknowledge that City Council's goals and objectives are the Administration's guide in preparing the budget document. Having that in writing would be a benefit.

- The total City millage rate will not be increased without a vote of the residents.

Ms. Jenuwine stated that the City has some abilities, without going to vote of people, to increase the millage rate. That is just one of those decisions during the budget process that needs to be decided, and the Administration would like to know in advance where Council stands on this.

- The General Fund shall Transfer out monies to support various operations and capital costs in other funds. The Major Road Fund shall receive 0.1000 mill; Capital Improvement Fund shall receive 0.1000 mill; Police Fund shall receive enough monies to balance its expenditures after the two dedicated millages are levied; Facilities Fund shall receive the equivalent of the common area costs; Drain Fund shall receive monies sufficient to cover the annual operating budget;

and the Local Street Fund shall receive a minimum of \$3.5 million.

Ms. Jenuwine stated that these fund transfers represent the 2008 budget. If Council would like to change any of these transfers, it would be beneficial prior to preparation of budget documents what monies administration has to work with.

- With the approval of City Council in the appropriations act (budget resolution), the Mayor is permitted to perform **budget adjustments** within limits between line-items within a fund. Adjustments are intended to reduce the amount of insignificant budget amendments and allows for more efficient and uninterrupted City operations. In no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment. Budget amendments shall not conflict with the City Council's expressed programs or policies. Adjustments are reported to City Council on a quarterly basis.

Ms Jenuwine stated that the Administration would like City Council's consideration for the staff (with Mayor's approval) and Mayor to perform budget adjustments, such as line item transfers within a fund's budget. She stated that the Appropriations Act would allow the Administration, with Mayor's approval, to perform these line item adjustments but not change total budget. These adjustments would be brought up at budget amendment time for Council's review.

Mr. Yalamanchi stated he thought this was a good suggestion and questioned if this conflicted with Charter language.

Ms. Jenuwine stated that it did not conflict with the Charter, as long as it was used within the same Fund. This would not be appropriate for any Capital items.

President Hooper stated that expenditures of more than \$25,000 should have Council approval and requested that the language "keep within an operating fund" be included.

Mayor Barnett stated he will include the additional language to make sure City Council is comfortable with this proposed policy. He stated that the Administration has had internal meetings to discuss ways the City could increase efficiencies.

Ms. Jenuwine stated that at budget amendment time, City Council would be provided with a document showing adjustments made during that quarter, and the City Council would then approve those amendments. As opposed to now when there must be a three week notice, with notices in the paper for changes. She stated that major capital costs will still come in front of Council. The final budget amendment would still be extensive, but would be reduced by possibly 20 percent.

Ms. Jenuwine moved on to the Fund Balance Policy, which states that the City will strive to maintain working capital or fund balances of at least 15 to 20 percent of annual operating expenditures within the General Fund, Special Revenue Fund, and Enterprise Funds:

The reserve policies are considered to be the reasonable level necessary to maintain the City's credit worthiness and to adequately provide for:

- Insulation against other risks specific to Rochester Hills (voted millage expirations as opposed to continuous charter millage, lack of diversified tax base, future obligations, loss in excess of insurance coverage, contractual service increases - OCSO).

Ms. Jenuwine stated that the City of Rochester Hills did not start at the 20 mill maximum that most Home Rule Cities began with. The City started at 5 mills with a plan to have special dedicated millages. These millages have expiration dates. By Charter, the City cannot levy beyond 20 years. Other cities can levy perpetually. They have more insulation to risk. These other cities do not have to bank on renewals. The City's Police Millages have an expiration, which is an increased risk. The City is also a bedroom community in its tax base, and bedroom communities typically take a hit. She stated that Rochester Hills may be more at risk because this City is not as diversified.

She discussed the City's insurance coverages which is \$15 million. When the City reviews its fund balance against other cities, they do not take into consideration their insurance coverages. The question is whether we are more exposed than other cities. She also stated that the City of Rochester Hills does not have its own Police Department, and is not in control of costs in the Police Department. By contracting out, the City is held to negotiating with an outside entity.

Regarding the Capital Improvement Policy, **Ms. Jenuwine** stated she added a note to the criteria on what should be submitted to the Capital Improvement Plan. She stated that Green Space is excluded from this policy. City Council put together an Ad-Hoc Committee to determine what properties would come forward for recommendation and that does deviate from the Capital Improvement Process which goes through an entirely different rating criteria. In practice, this is operating differently than the policy for Green Space.

Public Comment:

Melinda Hill, 1481 Mill Race, stated that the budget books reflected this possibility since the mid-1990s, and it is now being exacerbated by the economy. Headlee and Proposition A is pushing all communities into downward spiral. Regarding the proposed policy changes, she stated that Special Assessment Districts should be considered for local road funding, and feels they would improve housing values. She believes the police subsidy is detrimental. Regarding Fiscal Policies, she believes a lot of the policies are in the Charter and questioned why the City needs to get that specific. Regarding the total City millage rate, she feels the City has the third lowest tax rate in the County, and we are unable to get millages passed in the community. She feels at this point that the City needs to look at ways to reduce costs to the taxpayer.

Lee Zendel, 1575 Dutton, commented on the policy statement regarding the total City Millage Rate not being increased without a vote of residents. He stated that the Charter limits were set by approval of the residents. Headlee

states that any new taxes need a vote of the people, with two exceptions: a trash millage can be levied at up to 3 mills without a vote; and any large judgment against the City in that the Assessor shall charge whatever millage necessary to pay it off.

Council Discussion

Mr. Yalamanchi stated that this information forecasts a potential decrease in taxable value of 16.9 percent over five years. He believes that this may be more significant, as he has seen drops of 15 to 20 percent over what individuals paid when they go to sell their homes. He believes the City needs to review its tax structure. He questioned what would happen if we did not transfer 0.1 mills to Capital Improvement. Money is already going into the Internal Service Funds. He doesn't believe that the transfer into Major Roads should be stopped. He questioned the \$9 million fund balance in the Facilities Fund; what would happen if we didn't put the \$1.2 to \$1.4 million into that fund every year. He felt these monies could be used for local road issues. He stated that the City needs to work in partnership with its own employees in terms of capital costs. This should be considered during contract negotiations this year. He requested that directors make specific cost reduction suggestions from their perspectives. He also questioned whether there are opportunities to consolidate with the County, possibly regarding dispatch, or surrounding community governments, as in Sister City relationships. He suggested the possibility of creating a nonprofit for the Museum and the Environmental Education Center. He feels the City should brace itself to the challenges instead of taking the first option of raising taxes.

President Hooper stated the annual maintenance costs of the local road system, gravel, snow plowing, and salting is approximately \$4 million per year. The revenue received from Act 51 is approximately \$1.2 million. At a bare minimum, just to keep that whole, the City needs to transfer \$2.8 for ongoing maintenance. He feels that transfer needs to be maintained, although possibly not at the level of \$3.5 million. Regarding the financial outlook, he suggested that the health care percentage increase should be estimated higher than 10 percent for future years. He stated he agrees with Mr. Yalamanchi on General Fund transfers to the Capital Fund, however, he disagrees with Mr. Yalamanchi in that he feels that the City should drop its 0.1 mill transfer to the Major Road Fund as well. Regarding financial policies, he agrees with adding the words "keep within an Operating Fund" to allow transfers within line items. Regarding the policy that the millage rate will not be increased without vote of residents, he stated that consideration of a single trash hauler would be in direct conflict with this policy.

Mr. Pixley stated that the Council's focus should be to work with department heads to address the challenges. He agreed with President Hooper on his comments regarding health care costs; and agreed that the local streets cannot be ignored, as the residents feel this is an important issue.

Mr. Brennan stated that it was his opinion that the State of Michigan is in a structural recession, not a cyclical recession, and this will take possibly three to four years or longer to correct. He feels the City will need to make some tough

decisions.

Mr. Webber stated that these discussions are going on in many cities in southeastern Michigan. He feels the City is at a critical stage and needs to be creative in its thought process and residents should know that the City is being proactive.

Mr. Yalamanchi asked what would happen if the replacement was not put into the Facilities Fund.

Ms. Jenuwine stated that when the City would go to replace an existing facility, funds will not be there. The City might have to bond for significant expenditures as opposed to being able to reach into that fund, or go to the Capital Improvement Fund. She stated it is not a requirement that Council set a policy to fund future replacement. It is not common that other communities fund future replacement in this manner, and it would not be out of the ordinary to stop this funding.

Mr. Yalamanchi stated that the City has fairly new buildings, and expenditures in the next five years would be routine maintenance. He asked if Mr. Rousse could provide information on annual maintenance costs.

President Hooper stated that operating costs were paid for out of the Budget. He asked Ms. Jenuwine to return at a later meeting to review current fund balances.

President Hooper asked Ms. Jenuwine to return with a finalized policy based on Council input.

Ms. Jenuwine asked if Council directed eliminating the transfer to the Capital Improvement Fund.

President Hooper indicated Council's concurrence to drop this transfer.

Ms. Jenuwine asked about eliminating the transfer to the Major Road Fund.

President Hooper indicated this would be posed as a question to Council..

Ms. Jenuwine indicated health care increase assumptions were reasonable. She cited an aggressive wellness program, encouraging a significant increase in participation. She also presumes there will have to be some sort of increased participation on premium costs by employees, as 20 percent increases are not sustainable.

This matter was Presented.

(RECESS 9:24 p.m. - 9:36 p.m.)

COUNCIL COMMITTEE REPORTS

Planning Commission

President Hooper reported that last week two developers gave a developer's perspective on how a project starts, the process it goes through, and the money expended by a developer to get to the planning and development stage.

Sister City Committee / Rochester

President Hooper stated that a meeting is scheduled for this Thursday, March 13, 2008.

Police and Road Funding Technical Review Committee

Mr. Brennan reported that the Committee met last week for the first time. They are beginning to explore ways to provide funds for these two very essential services in the City.

Brownfield Redevelopment Authority

Mr. Webber stated there would be a Brownfield Authority Special Meeting on Thursday, March 13, 2008, at City Hall in the auditorium at 7:30 p.m. This meeting was rescheduled from March 20.

Master Thoroughfare Plan Technical Review Committee

Mr. Yalamanchi indicated that the final draft presentation by the consultant of the Master Thoroughfare Plan would be given on March 11, 2008.

Strategic Planning and Policy Review Technical Review Committee

Mr. Yalamanchi reported that the draft Goals and Objectives will be presented to Council next Monday, March 17, 2008.

ANY OTHER BUSINESS

None

NEXT MEETING DATE

Monday, March 17, 2008, 7:30 p.m.

ADJOURNMENT

There being no further business before Council, President Hooper adjourned the meeting at 10:25 p.m.

*GREG HOOPER, President
Rochester Hills City Council*

*JANE LESLIE, Clerk
City of Rochester Hills*

*MARY JO WHITBEY
Administrative Secretary
City Clerk's Office*

Approved as presented at the (insert date, or dates) Regular City Council Meeting.