



# Rochester Hills Minutes

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## City Council Special Work Session

*Erik Ambrozaitis, Jim Duistermars, Barbara Holder, Greg Hooper,  
Linda Raschke, James Rosen, Ravi Yalamanchi*

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Wednesday, August 22, 2007

9:00 PM

1000 Rochester Hills Drive

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In accordance with the provisions of Act 267 of the Public Acts of 1976, as amended, the Open Meetings Act, notice was given that a Special Rochester Hills City Council Work Session would commence immediately following the

Regular City Council Meeting to be held at 7:30 P.M. on Wednesday, August 22, 2007 for the purpose of discussing the 2008 Proposed Budget.

### CALL TO ORDER

*President Rosen called the Special Rochester Hills City Council Work Session Meeting to order at 8:11 p.m. Michigan Time.*

### ROLL CALL

**Present** 7 - Erik Ambrozaitis, Jim Duistermars, Barbara Holder, Greg Hooper, Linda Raschke, James Rosen and Ravi Yalamanchi

### Others Present:

*Bryan Barnett, Mayor  
Jane Leslie, City Clerk  
Ed Anzek, Director of Planning and Development  
Scott Cope, Director of Building/Ordinance Compliance  
Ron Crowell, Fire Chief  
Paul Davis, City Engineer  
Kurt Dawson, Assessor/Treasurer  
Susan Galeczka, Deputy Clerk  
Mike Hartner, Director of Parks & Forestry  
Julie Jenuwine, Finance Director  
Pam Lee, City Accountant  
Pamela Lee, Director of Human Resources  
Roger Rousse, Director of Department of Public Services  
Capt. Robert Smith, Oakland County Sheriff's Department  
Doug Walther, Deputy Assessor  
Bob White, Supervisor of Ordinance Services  
Kelly Winters, Deputy Director of Building/Ordinance. Compliance*

**PUBLIC COMMENTS**

*Let the record show no public comment was received.*

**PROPOSED 2008 BUDGET DISCUSSIONS**

**2007-0497 General Budget Overview - 2008**

*Mayor Barnett reviewed the process which the budget will presented noting Ms. Jenuwine, Finance Director, would provide general remarks regarding the budget; each director would then comment on their respective department reviewing their department budget items, providing an overview of the department and highlighting any significant changes in their budget. Questions would be taken at the end of each department's presentation.*

*Mayor Barnett stated that the tonight's work is a continuation of the nine-month budget process, noting over the next two weeks Council along with the Administration will be going over the budget in detail.*

**BUDGET OVERVIEW**

*Julie Jenuwine, Finance Director provided an "All Fund Summary" as follows:*

<u>All Fund Summary</u>	<u>2006 Actual</u>	<u>2007 Amended</u>	<u>2008 Projected</u>
Personnel Services	\$22,406,392	\$25,412,820	\$26,234,660
Operating Supplies	\$1,238,165	\$2,114,040	\$1,813,060
Professional Services	\$20,348,592	\$243,830,550	\$24,649,630
Other Expenses	\$20,205,307	\$23,342,330	\$23,761,300
Capital Outlay	\$8,471,837	\$31,321,410	\$18,365,640
Debt Service	\$6,363,217	\$6,531,850	\$6,504,620
Transfer Out	\$24,853,481	\$19,708,310	\$19,724,460
<b>Grand Total</b>	<b>\$103,886,991</b>	<b>\$132,813,810</b>	<b>\$121,053,370</b>

*Percentage Increase from 2006 - 16.52%  
Percentage Increase from 2007- -8.85%*

<i>Increase in Dollar Amounts</i>	<i>\$28,926,819</i>	<i>\$11,760,440</i>
<i>Increase in Percentages</i>	<i>27.84%</i>	<i>-8.85%</i>

<u>All Fund Summary</u>	<u>2006 Actual</u>	<u>2007 Amended</u>	<u>2008 Projected</u>
<u>Without Capital Outlays</u>			
Personnel Services	\$22,406,392	\$25,412,820	\$26,234,660
Operating Supplies	\$1,238,165	\$2,114,040	\$1,813,060
Professional Services	\$20,348,592	\$243,830,550	\$24,649,630
Other Expenses	\$20,205,307	\$23,342,330	\$23,761,300
Debt Service	\$6,363,217	\$6,531,850	\$6,504,620
Transfer Out	\$24,853,481	\$19,708,310	\$19,724,460

Grand Total	\$ 95,415,154	\$101,492,440	\$102,687,760
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Percentage Increase from 2006 - 7.62%

Percentage Increase from 2007- 1.18%

Increase in Dollar Amounts	\$6,077,246	\$1,195,330
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Increase in Percentages	6.37%	1.18%
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Ms. Jenuwine noted the following:

\* There are additional costs of Health Care for 2008 that need to be added

\* In 2007

- Capital outlays had the costs of DPS facility. Funds for DPS were used from Water and Sewer Capital Fund

- A one-time payment of \$2 Million to Grand Sakwa was included

- Fund balances were used for capital outlays

\* One of the objectives for 2008 identified by Council was balancing the budget equal to the 2007 budget

\* The budget shows an increase of 1.18% from the 2007 amended budget.

Ms. Jenuwine explained there is a lot more money moving in between funds than normal. She explained many communities have larger general fund levies from where they fund their large departments resulting in less allocation and transfers.

Ms. Jenuwine continued by reviewing the following

2008 Proposed Revenues for "All Funds"

- Bonds Proceeds: 0% - There is no debt proposed in the 2008 budget; however there is over \$18 Million in Capital debt

- Transfer-In between funds: 15%

- Fund Balance: 7% - Includes all Capital Outlay with the exception of Water and Sewer Fund

- City Taxes: 27%

- Intergovernmental (State Revenue Sharing, CDBG, etc.)

- Service Charges: 35%

- Other Revenue: 6%

Financial Trends- Tax Levy (FY 2004-FY 2008 Proposed)

- Operating Millages

- General Fund (Charter)

- Fire Fund (Charter)

- Special Police I (Voted)

- Special Police II (Voted)

- Public Improvement Drains

- Pathway (Voted)

- R.A.R.A. Operating (Voted)

- O.P.C. Operating (Voted)

- O.P. C. Transportation (Voted)

- Open Space (Voted)
- Library Operating (Charter)

Total 2007 Operating Millage: 8.5200

Total 2008 Proposed Operating Millage: 8.6206

Proposed Dollars from Operating Millages generated in 2008: \$30,798,050

*\*Note: Budget assumes passage of Police Millage II*

#### Debt Millages

- Chapter 20 Drain Debt
- G.O.R.B. - Series 2002
- G.O.R.B. - Series 1998
- O.P.C Building (Voted)

Total 2007 Debt Millage: 1.1860

Total 2008 Proposed Debt Millage: 1.0854

Proposed Dollars from Debt Millages generated in 2008: \$3,974,910

#### Total Millages

Total 2007 Millage: 9.7060

Total 2008 Proposed Millage: 9.7060

Proposed Dollars from Millages generated in 2008: \$34,772,960

*Ms. Jenuwine stated there is no Headlee rollback in the millage, noting inflation rates exceeded the increase in taxable value for last year. She further explained that she has changed the titles in the budget document for the 2004, 2005, 2006 Fiscal Year; therefore the 2007 is the 2006 tax levy.*

#### 2008 Proposed Expenditures

*Ms. Jenuwine noted the following in regards to all expenditures:*

- \* 8.8% reduction in expenditures
- \* 2.8% wage increase with the exception of the Mayor and Directors
- \* *Health Care Costs: Budget contains a 7% increase; however it is anticipated that there will be a 9% increase for Blue Cross, 17% increase for HAP. Total impact of \$160,000 increase in the budget. Additional information will be provided to Council as it becomes available.*
- \* 47% increase in Workers Compensation costs

#### 2008 Proposed Expenditures for "All Funds"

- \* Personnel costs: 22%
- \* Transfer out: 16% (does not equal transfer in because we transfer out to OPC and RARA)
- \* Debt Service: 6%
- \* Capital Outlay: 15%
- \* Depreciation: 5%

- \* Other Services: 35% (includes Water, Sewer, DWSD, OCSC)
- \* Supplies: 1%

2008 Citywide Capital Outlay by Function

- \* Major Roads: 37% - \$6,671,310
- \* Local Roads: 16% - \$2,892,290
- \* Drains: 7% - \$1,317,860
- \* Fire Capital: 10% - \$2,772,270
- \* Pathway Construction: 6% - \$1,101,750
- \* Water & Sewer: 13% - \$2,304,000
- \* Facilities: 2% - \$383,750
- \* MIS: 1% - \$173,000
- \* Fleet: 3% - 615,220
- \* LDFA: 5% - 836,800

\* Total 2008 Capital Outlay: \$18,068, 250

Council Member Yalamanchi stated that that in comparing the budget 2007 Amended Budget to the 2008 Proposed Budget, the 2008 Budget reflects an overall reduction of 8.85%. However the Capital Outlay Fund is skewing the numbers because it contains the cost of the DPS garage; therefore driving down the number in 2008. He explained that there is an increase in every other Fund except for the Capital Outlay Fund, which is bringing down the overall numbers.

Ms. Jenuwine responded that \$18 Million was proposed for Capital Outlay 2008; \$8.5 Million is the actual for 2006, which is \$10 Million more for 2008 but less than 2007.

President Rosen noted that the Shadowoods Paving Project is also included in the 2007 Capital Outlay Fund.

Council Member Yalamanchi, referencing page 76 of the Budget Book, indicated the taxable value is projected to go up in 2008. He inquired if Ms. Jenuwine was able to project the taxable values for 2009 and 2010.

Ms. Jenuwine responded that the future Headlee factors are undeterminable because one would have to know the inflation factor. She explained that it is assumed there will be a 2% increase in taxable value; however this also includes new growth.

Ms. Jenuwine reviewed long-term forecasts by Fund as follows:

General Fund

- \* Continuing current policies regarding existing transfers
  - Recognize projected revenues
  - Fund the existing administrative services out of General Fund
  - See what is remaining.
  - Make policy transfers

\* Provides for a fund balance that remains constant and there is no anticipated use of fund balance.

\* \$.5 Million dollars have been designated for Supplemental Retiree Health Care; if a trust is formed the General Fund balance will be reduced by that amount.

*\* Includes general levy millage rates ticking up as other millages tick down due to potential Headlee rollbacks in the future.*

*\* First time in many years the City does not have a Headlee rollback.*

*Council Member Hooper inquired as to the Headlee maximum for each fund.*

*Ms. Jenuwine indicated those numbers can be found on pages 78 and 79 in the 2008 Budget Book. She noted that all Funds are levied at the Headlee maximum with the exception of the Fire Fund and General Fund.*

*Council Member Yalamanchi, referencing page 77 and the Estimated Tax Projections for Fiscal Years 2009 through 2016, noted that it appears that in 2009 and 2010 the current levy will remain the same. Beginning in 2011, if the City does not levy the increase, it will lose \$1.5 Million and the amount will increase each year after 2011. He indicated that Council has an opportunity to look at this and have a discussion on how to capitalize on this opportunity.*

*Ms. Jenuwine stated that the estimates are based on potential Headlee rollback projections. The projected forecast through 2016 demonstrates that as the City reaches the Headlee maximum in the general levy in 2011, and by then the City would not have the ability to levy more except for Fire. She further noted that since the City has not been bonding its projected millages to pay off the general obligation bonds, OPC bond and Chapter 20 Drain Debt, these are falling off going from 1.1 mil to .70 mil in 2011. As a result the millage rate falls with a difference of almost .4 mil equating to \$1.5 Million dollars that the .4 mil would generate.*

*Council Member Ambrozaitis stated that the projections are optimistic, noting concern with rising health care costs, falling property values and loss of taxes.*

*Ms. Jenuwine responded that if Council Members are uncomfortable with any of the assumptions taken on the forecasts, the Administration can take make a more liberal or conservative adjustment to these projections.*

*Council Member Duistermars stated that throughout his time on Council the budget numbers have always been close and he feels they are accurate based on past experience.*

*Ms. Jenuwine stated that the prevention in wellness is the City's hope for stopping the out of control medical premiums, noting prescriptions for employees are double the national average. She further noted prevention could assist with health care increases.*

*Ms. Jenuwine, reviewing the Estimated City of Rochester Hills Tax Projection (FY 1009-2016) noted that as the City discusses future police and road funding solutions, this millage forecast may be helpful*

*Ms. Jenuwine reviewed the Long-Term Trends noting the following*

*Major Road Fund*

*\* Act 51 revenues are the predominant sources of revenues for this fund. These revenues are generated through the gas tax and vehicle registrations*

*\* The bump up in 2008 is caused by a reimbursement for Hamlin Road*

*\* For many years City Council has moved funds over for major road projects; however for one year there is a negative balance due to the timing of projects. It was noted the City has a healthy fund balance by design and the fund is stable.*

*President Rosen indicated that because of the price of gas, people are not driving as much resulting in less tax dollars.*

*Council Member Ambrozaitis noting the difficulties the State is having with its budget deficit, indicated that the City projections are optimistic. He suggested projecting at a more conservative level.*

#### Local Street Fund

*\* Act 51 revenue is currently stable*

*\* After the general fund administrative costs are funded and policy transfers are completed, the balance is put in Local Street Fund.*

*\* Council in its objectives requested a specific amount be transferred and the Administration is proposing \$5.1 million, which allows for \$2.9 million in capital outlay and no use of the \$1.1 million in fund balance.*

*\* Based on the forecast, these funds are not sustainable; these funds were moved to the Local Street Fund based on Council's priorities. Next year's forecast is \$1.7 million and in 2010 \$1.4 million is forecasted; the fund will continue to shrink unless other long-term policies are put in place.*

*Council Member Yalamanchi inquired if it would be possible to tie the projections to potential subdivisions and streets.*

*Mayor Barnett explained that in this year's budget the funding is tied to specific projects. He directed Council to the Capital Improvement Plan, which indicates project priorities. Mayor Barnett stated that he anticipates Council will be working on a sustainable policy that will address this issue as it moves forward, and it is not in the Administration's goals to wait until 2012 to put a plan in place.*

*Council Member Yalamanchi inquired if this included mostly professional services or if it included other services.*

*Ms. Jenuwine explained this includes consultants, materials, equipment rental, salt, chloride, etc.*

*Council Member Yalamanchi, referencing the \$2.8 million and \$1.6 million in capital outlay noted that the transfer in equate to \$5 million. He inquired how that number is determined.*

*Ms. Jenuwine responded that all operating costs are projected and then the balance is put in capital outlay.*

*Council Member Yalamanchi stated that he would like to tie the funds for 2009 and 2010 to specific projects, noting that Council is not bound by that decision which can be changed.*

Mayor Barnett noting that Shadowoods cost \$2.5 million, indicated that \$1.6 million has been allocated for 2009, which is not adequate to do an entire subdivision. He stated staff is constantly evaluating roads through the Pavement Management System. Mayor Barnett stated that looking at the scope of money available, decisions are made on roads not subdivisions.

Council Member Yalamanchi concurred that there needs to be flexibility and that the road conditions have to be considered.

Ms. Jenuwine noted that a few years ago at the Planning Commission there was a healthy discussion on whether a timeline for when local streets would be done should be included in the document. The compromise was to include the psi ratings with the assumption that the worst streets would get done first because priorities may have to change based on road conditions.

Council Member Hooper stated that he was a proponent of attaching a subdivision and timeframe for the road fund. He concurred that Ms. Jenuwine is accurate that the desire of the Planning Commission was not to because things change. Council Member Hooper further indicated that the City has a short-term "band aid" approach trying to extend the life of the subdivision roads and at some time Council and the voters will decide how this issue is addressed from a long-term perspective.

#### Fire Department Fund

\* Assumes the continuation of the 1.8 mill levy

\* Allows for reduced transfer to Fire Capital Fund

\* Based on current projections there does not seem to be a need for additional transfers into the Fire Capital Fund into 2016.

\* Large reduction in 2009 Apparatus Fund because of large replacement costs.

Council Member Yalamanchi stated the investment earnings are going down in 2008 and 2009

Mr. Jenuwine responded that this forecast is 17% and the interest rate is based on the Fund collected but in reality the money is collected at the beginning of the year.

#### Special Police Fund

\* City has been using the fund balance to help offset expenditures; this practice will have to cease because there is little fund balance left.

\* Because of the increase in costs and the taxable values not keeping up the transfers are anticipated to increase

\* \$3.3 million transfer will increase to \$4 million in 2010

**This matter was Discussed**

**(Recess - 9:20 PM to 9:37 PM)**



**2007-0477** Discussion - General Fund (100's) - 2008 Budget**101 - GENERAL FUND****000 - Revenues****Significant Changes:**

- No use of Fund Balance; all expenditures are proposed to be funded with next years revenue
- Taxes - 5% increase due to increases in taxable value and increases in general levy millage rate
- Franchise fees were reduced to \$530,000 based on new legislation.
- Building Department licenses and permits decreased by 18% based on residential economics
- CDBG decreased by 1% because of reduced funding for the program
- Building charges reduced by 13% due to economy
- Golf Course Lease increased 51% due to contractual increase
- Overall projections is \$27 million from 2007
- \$1.7 million coming from fund balance - expenditures
- Interest does take into account the consent judgment that will be paid by 2008
- \$2 million moved over to Trust for Rochester Hills Savings Plan; the interest for the Trust will go to the Trust rather than General Fund

**Response to questions from Council Members**

- The City has received reimbursement for school elections
- 1% Administration Fee is not included

**171 - Mayor's Department****Significant Changes:**

- \* 703000 - Salaries & Wages: Directors' Performance Pay was decreased from \$20,000 to \$10,000
- \* 801000 - Professional Services was decreased by 64% - \$46,000 due to the expected completion a Dispatch Study, Actuarial Evaluation for Retiree Health Supplement and Resident Opinion Survey through Oakland University in 2007
- \* 888000 - Community Promotions was Decreased by 31% - \$14,500 due to a reclassification of Rochester Area Youth Assistance and Avondale Youth Assistance to Parks, which is partially offset by the transfer of funds budgeted for Festival of Hills to the Mayor's Office. It was noted that Festival of the Hills is reduced due to a healthy fund balance for this program. Program is funded through donations; money left over from 2007 Festival will be used as seed money for 2008.

**Council Members Comments:****City Administrator Position**

Council Member Yalamanchi stated that given the way the City is structured with the department directors having deputy directors, he does not see the need for a City Administrator. He stated that it is Council's position to set the tone and make the appropriate funding decisions. He stated Council needs to take a positive step and work hard at identifying funds and targeting these funds for critical needs, such as police services.

Mayor Barnett indicated that he felt it would be best left to the mayor next year to determine what the position should entail. He noted the salary of the position has been changed from \$100,000 to \$70,000.

President Rosen stated that the Administrative Assistant position is in the Charter.

Mayor Barnett stated that the position has been flexible with various job descriptions based on the needs of the Mayor.

Council Member Ambrozaitis stated postponing a decision on this issue until after the election is a fair request.

**Hills Herald**

Council Member Yalamanchi further suggested eliminating the Hills Herald. He indicated that Council needs to look at the cost versus the benefit of the Hills Herald, noting there are other means for residents to obtain information regarding the City.

Council Member Holder noted that the City published a calendar rather than the Hills Herald. She noted the businesses could contribute to the cost of the calendar.

President Rosen stated the Hills Herald may be outdated noting information is available to the residents on the City's Web Page.

Mayor Barnett stated that the Hills Herald has been moved from a quarterly publication to publicizing it twice a year. He indicated it gets significant responses from the senior population regarding this publication. Mayor Barnett indicated the Hills Herald provides timely information to the residents in the Spring and Fall to residents who do not have internet access, noting it had a relative inexpensive price of \$12,000.

**Oakland University Survey**

Council Member Holder, noting the survey was sent out to 844 people, suggested the survey be sent out bi-annually to different residents.

Consensus of Council is to do the survey on an bi-annual basis

President Rosen stated that he did not see any added value to doing additional surveys.

**Public Comment:**

Harper West, 155 Arizona Ave, stated that discussion is not occurring on important issues, but rather Council is spending hours on a ten-cents decision.

Lee Zendel, Dutton Rd., stated that Council does not have line-item veto power.

### **Objectives (Fiscal)**

- Assist with the budget
- Monitor and make projections for the City
- Perform all personnel costing
- Coordinate with the City and Planning Commission the Capital Improvement Plan (CIP) on an annual basis
- User charge allocation for Department and Internal Service Funds
- Effectively administer the Community Development Block Grant Program in compliance with the federal laws
- Manage general liability risk management for the City, some loss control coverage on all city Property, investigate all claims, investigate all incidents and claims made to the City; defend the City in claims and lawsuits
- Serves as trustee to Pension Plan
- Research and perhaps establish an Employee Pension Board in an effort to reduce the City's risk exposure, as the existing fiduciary responsibility lies entirely with the Finance Director and City Treasurer
- Support the Local Street and Police Committee by way of providing relevant financial information to assist with the committees' analysis
- Support the Charter Study Committee by way of providing relevant tax, financial and operation information to assist the committee's study
- Perform the funding evaluation for the Facilities Fund (utilizing the new Master Facilities Plan) - for the appropriateness of the depreciation changes/collections, as performed for the MIS and Fleet Funds in 2007
- Determine the level of funding the current Water & Sewer depreciation charge is providing for the future replacement costs of water and sewer system
- Work toward improving the City's loss control program and its loss expenditures by building upon the smaller program that is currently in place with improved measures. This includes the creation of an annual risk management report
- Research the option of self insuring employee vision coverage in an effort to save healthcare costs
- Perform a thorough evaluation of all department performance measures and data collection systems to better measure future departmental effectiveness and efficiencies (performance based budgets) and implement a process that ties departmental expenditures to department functions in an effort to cost specific City services (activity based costing)
- Participate in the resurrected Safety Committee in an effort to improve employee and the public's safety and reduce City loss costs

### **210 - Legal Services**

#### **Significant Changes**

- \* 805001- Legal Fees - City Attorney fees decreased 2.6%
- \* 805002 - Legal Fees Labor & Other - Pension Attorney fees decreased 4.6%

#### **Council Members Comments:**

Council Member Yalamanchi inquired if the City would be requesting RFPs for Labor Attorneys when the labor contract negotiations have been completed.

*Pam Lee, Human Resources Director, stated that the labor attorney has been an integral part of labor relations for a number of years. She indicated there has been no consideration for going out for an RFP unless she receives such direction from Council. Ms. Lee stated that Council needs to consider the benefit of having an attorney with a long strong history of advocacy for Rochester Hills and knowledge of current issues and historical issues.*

*Council Member Yalamanchi stated that he would like to look at sending out an RFP for a Labor Attorney.*

*President Rosen stated that the institutional memory with the City's attorneys and consultants is important because without institutional memory mistakes could be made.*

*Council Member Ambrozaitis stated that he is not opposed to sending out an RFP, noting it cannot hurt the City to look at options.*

*Council Member Raschke stated that in her tenure she sees the value of the City's attorneys and does not know where the City would be without their historical knowledge. She stated she is not in favor of sending out an RFP for attorney services.*

**Public Comment:**

*Lee Zendel, Dutton Road, stated that a few years ago the City went out for an RFP for auditors and what the City received back, with the exception of the current auditors, was pathetic. He stated professional competence of the City's attorneys is well served and the institutional memory is a dollar issue.*

**448 - Special Lighting**

**Significant Changes**

*\* 921000 - Streetlighting increased by 12%, \$570 annually, because the City will be providing this service for an additional subdivision, specifically Dennison Acres*

**Council Members Comments:**

*In response to Council Member Duistermars question, Ms. Jenuwine explained that the funds come into line item 101-470000 called Tax.*

**666 - Community Development Block Grant**

**Objectives:**

*-Evaluate the decreased levels of Federal funding, ensuring that funds continue to be distributed as equitably as possible to residents in the Minor Home Repair, Public Assistance and Home Chore Programs, while still satisfying mandatory Federal allocation requirements. All funding awarded to the City of Rochester Hills will be directed towards the City's residents, as no funding will be spent on eligible internal City Administrative costs or Professional Services.*

**Significant Changes:**

*\* 501001 - Federal Grant - C.D.B.G. was reduced by 1% - \$1,460 - because of a*

decrease in the City's allocation of federal funding, to offset the revenue loss, the Minor Home Repair and Home Chore programs were reduced slightly.

**Council Members Comments:**

Council Member Ambrozaitis requested a increase in funding for RAYA from \$5,000 to \$6,000.

Ms. Jenuwine explained that RAYA is funded through Parks.

**852 - Supplemental Retiree Health**

Ms. Jenuwine noted that potentially this fund will be a trust. She explained this program was created in 2001 for the purpose of providing some benefit to certain Full-Time City employees for a portion of their hospitalization, dental and vision insurance costs after they retire from the City. She noted that this is a projection as to who is going to retire and for how much they are eligible.

**This matter was Discussed**

**2007-0482** Discussion - Internal Service Funds (600's) - 2008 Budget

**600 - INTERNAL SERVICE FUNDS**

**667 - Self Insurance Fund**

Ms. Jenuwine explained that this fund accounts for the City's self-insured retention cash payments for insurance services, the cost of general liability, fleet and property insurance premiums.

**This matter was Discussed**

**2007-0477** Discussion - General Fund (100's) - 2008 Budget

**101 - GENERAL FUND**

**102 - City Council - discussed further down on the Agenda**

**191 - Elections**

Jane Leslie, City Clerk, stated that the Clerk is charged by Law to conduct elections. She reviewed the Objectives and Significant Changes for the Election Division noting the following:

**Objectives:**

- Insure that Polling Places are ADA compliant
- Conduct additional on-site voter registration drives at the senior housing facilities as well

as continuing to work with the Rochester Hills Government Youth Council and school districts for voter registration drives

- Implement and utilize the digitized signature program in the Qualified Voter File system
- Conduct small class-size and more frequent election worker training programs
- Set up and implement an on-going maintenance program for new election equipment.

#### **Significant Changes:**

- No significant increases and decreases are mostly reflect current pricing trends
- Revenue line reflects reimbursement for elections to include the 2008 State reimbursement for the Presidential Primary
- Schools are no longer being charged for elections because they are part of the November Election.

#### **Response to Council Members questions:**

- Election equipment will be three years old in 2008 and was purchased through HAVA. The equipment has been standardized through Oakland County and is protected through Uniform Voting Equipment. Maintenance for equipment is covered through 2008; the City will need to budget for maintenance in 2009.
- Supplies for elections encompass three elections in 2008, which includes the Presidential Primary; reimbursement from the State of Michigan will cover some of these costs.
- The elimination of Primary Elections has been looked at in the past as a cost savings measure. Elections cost include supplies, overtime, and personnel which totals approximately \$40,000 for each election. The City has 29 precincts and an Absentee Voter Counting Board. The elimination of a primary election would reduce the costs. Council previously opted not to eliminate the primary and it would require a Charter Amendment. At the time Council took this issue under consideration it was demonstrated that the primary election results were reflective of the general election until 2005. The City has 18% to 25% turnout for a primary election, which is more than most communities. It was noted that ballot questions and the number of candidates increase the number of turnout.

#### **201 - Accounting**

Pam Lee, City Accountant, stated that the City Accountant oversees the Accounting Division, and the Accounting Division is responsible to record all financial transactions of the City of Rochester Hills, Rochester Avon Recreation Authority, and the Older Persons Commission. She provided a summary of the responsibilities and functional areas of the Accounting Division as follows:

- Financial system (JDE/Oracle)
- General ledger and financial reporting
- Accounts payable
- Payroll (earnings, deductions, vacation, other accruals earned and used, taxes)
- Benefit allocation, payment, and reconciling
- Water and sewer billing (ASI Software)
- Assets, infrastructure, donated assets, construction in progress (add, disposals, sales, depreciation calculation)
- Accounts receivable (water & sewer billing, street lighting, police contracts, special billings (all departments))

- City's financial audit, federal awards audit, and workers compensation audit
- Pension administrator
- Escrow activity (billing to all developers for services and tracking of the developers funds deposited with the City)
- Grant tracking (other than CDBG) and Grant Reporting for Single Audit
- Prepare the Comprehensive Annual Financial Report including Managements Discussion and Analysis (MD&A), Note Disclosures and Statistical Section
- All financial reports to State of Michigan and Federal Government

Ms. Lee stated that in addition, the Accounting Division does the accounting functions for RARA and OPC.

Ms. Lee noted that the Accounting Division follows the Formal mandates including:

- City Charter-Chapter 3-Budget Procedures and General Finance
- State of Michigan-Financial Reporting--Public Act 2 of 1968, Public Act 71 of 1919, Public Act 51 of 1951
- City Charter-Independent Audit
- State of Michigan-Sales and Withholding Tax-Public Act 281 of 1967
- Federal Government-Single Audit-OMB A 133
- Federal Government-IRS Codes

She further noted that the Practices are defined by:

- Generally Accepted Accounting Principles (GAAP)
- Governmental Accounting Standards Board (GASB)
- Governmental Accounting, Auditing and Financial Reporting (GAAFR)

Ms. Lee reported that Accounting Division has received the highest recognition for excellence in financial reporting for the 19 years (1988 through 2006), specifically the Certificate of Excellence in Financial Reporting Awarded by the Government Finance Officers Association and the City continues to receive unqualified audit opinions from independent auditors and good compliance audit reports on federal grant awards

Ms. Lee reviewed the Division's Objectives and Significant changes as follows:

**Objectives:**

- Submit to the Government Finance Officers Association Certification Program the City's Comprehensive Annual Financial Report
- Continue to utilize and enhance financial accountability using the current fully integrated financial software
- Continue to review financial records stored off site and dispose of unnecessary records
- Prepare RFP and recommend vendor for outside printing and mailing services for water and sewer bills
- Research water and sewer on-line bill lookup and payment
- Research direct deposit vendor payment

**Significant Changes:**

- \* 804000 - Audit Fees increased 13% - \$7,000 due to changes in additional auditing and testing requirements
- \* Majority of the other expenditures have decreased due to trends

**Response to Council Members questions:**

- The Accounting Division has a number of long-time staff members who earn significant vacation. The 7.2% increase in wages is due to the increase in the amount of buy-outs.

**215 - Clerk's Department**

Jane Leslie, City Clerk, reviewed the objectives and significant changes for the Clerk's Department noting the following:

**Objectives:**

- Monitor policies for compliance with Open Meetings Act and Freedom of Information Act
- Develop and implement city-wide Records Management Policies and Procedures
- Assist Council by providing information that will aid them in establishing public policy and performing their job.
- Continue to manage and issue vital records
- Train City employees in records management; no additional training is budgeted in 2008 because training will be conducted in-house

**Significant changes:**

- \* 802001 - Interfund Charges - MIS increased 66% - \$65,450 due to new MIS allocation methodology which more closely directly charges the users for services
- \* 940000 - Equipment increased 22% - \$1,800 due to new Postage Machine equipment and a reflection of the "shape-based" rating upgrade approved by Council to accommodate the changes in the new postage rates and package measurements
- \* Passport issuance continues

**276 Cemetery**

Ms. Leslie continued reviewing the objectives and significant changes for the Cemetery noting the following:

**Objectives:**

- Solicit additional donation funding for cemetery enhancements
- Complete Columbarium addition
- Chapel is ongoing project

**Significant changes:**

- \* 703000 - Staffing & Wages increased 6% - \$7,010 to reflect general increase for overall pay rates, annual leave payoff and use of medical and dental buyouts. The Cemetery staff consists of a Sexton, laborer and part-time laborer who manage three cemeteries
- \* New sections in the Cemetery were platted this year, which will be opened next year. In preparation for the opening of the new sections additional landscaping will need to be completed.

**Council Members Comments:**

Ms. Raschke stated there is a public cry for a chapel to be used in inclement weather. She explained that for inclement weather the City is using a tent to provide some



protection from the elements, noting safety concerns. She requested money be put back into the budget for the construction of a chapel at the Cemetery.

**This matter was Discussed**

**2007-0478** Discussion - Special Revenue Funds (200's) - 2008 Budget

**200 - SPECIAL REVENUE FUNDS**

**221 - Stoney Creek Perpetual Care**

Ms. Leslie explained that the purpose of the Perpetual Care Fund is to maintain the cemetery in perpetuity. She explained that a substantial amount of money from the sales of lots would go into the Perpetual Care Fund to ensure that money would be available when there is no more revenue to be gained from the sale of lots. Ms. Leslie stated that there are no expenditures; however large projects for the cemetery have been paid from this fund.

**Objectives:**

- On-going study of options for providing funding to meet the goal of perpetual care

**This matter was Discussed**

**101 - GENERAL FUND**

**102 - City Council**

Jane Leslie, City Clerk, stated that Council adopted the salary recommendation made by the Human Resource Technical Review Committee, noting Council salaries will remain the same as last year.

**Significant changes:**

\* 727000 - Office Supplies decreased 16%, \$500, because Council is networked to the City system and printing cartridges will no longer be supplied

\* 954000 - Miscellaneous decreased at this is not a City Election year; therefore there will be no "Swearing In" ceremony in 2008

Ms. Leslie further indicated that Council developed its own goals and objectives as indicated in the Budget book.

**Response to Council members questions:**

\* 801000 Professional Services

- Citizens Strategic Goal Meeting - carried over the last few years if Council determines it wants to do a community wide project

- Team Building (City Administration - City Council) - Carry over from previous years

- Internet Service Provider - To cover Council members DSL costs for accessing City computer system

- Sign Language Provider - ADA requires the City to provide services if requested; This

*type of service has been requested in the past and there needs to be money in the budget to cover the costs*

**This matter was Discussed**

*President Rosen stated that due to the lateness of the hour, the remaining agenda items will be moved forward to the next City Council Work Session.*

**2007-0477** Discussion - General Fund (100's) - 2008 Budget

**HUMAN RESOURCES (233)**

**BUILDING/ORDINANCE**

\*Building Department (371)

\*Ordinance Compliance (372)

\*Weed Control (535)

**PLANNING AND DEVELOPMENT**

\*Planning Commission (400)

\*Planning Department (401)

\*Zoning Board of Appeals (410)

\*Historic District Commission (804)

**This matter was Set Over to Future Meeting to the City Council Special Work Session**

**2007-0483** Discussion - Component Units (800) - 2008 Budget

**PLANNING AND DEVELOPMENT**

\*Brownfield Redevelopment (843)

\*SmartZone (851)

\*Economic Development Corporation (893)

\*Local Development Finance Authority (848)

**2007-0478** Discussion - Special Revenue Funds (200's) - 2008 Budget

**PARKS: Tree Fund, Green Space**

**2007-0477** Discussion - General Fund (100's) - 2008 Budget

**This matter was Set Over to Future Meeting to the City Council Special Work Session**

**2007-0478** Adoption of the Special Revenue Funds Budget for Fiscal Year 2008

**This matter was Set Over to Future Meeting to the City Council Special Work Session**

## ANY OTHER BUSINESS

**NEXT MEETING DATE - Thursday, August 23, 2007 Special Work Session at 7:30 p.m.**

## ADJOURNMENT

*There being no further business before Council, President Rosen adjourned the meeting at 11:17 PM.*

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*JAMES ROSEN, President  
Rochester Hills City Council*

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*JANE LESLIE, Clerk  
City of Rochester Hills*

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*SUSAN GALECZKA, Deputy Clerk  
City of Rochester Hills*

*Approved as presented at the February 11, 2008 Regular City Council Meeting.*