



APPROVED

**CITY OF YPSILANTI
COUNCIL BUDGET SESSION MINUTES
CITY COUNCIL CHAMBERS - ONE SOUTH HURON STREET
THURSDAY, MAY 22, 2014
7:00 P.M.**

I. CALL TO ORDER –

The Meeting was called to order at 7:01 p.m.

II. ROLL CALL –

Council Member Jefferson	Present	Council Member Robb	Present
Council Member Moeller	Absent	Council Member Vogt	Present
Council Member Murdock	Absent	Mayor Schreiber	Absent
Mayor Pro-Tem Richardson	Present		

Council Member Jefferson moved to excuse the absences, but for lack of support the motion died.

III. INVOCATION –

The Mayor asked all to stand for a moment of silence.

IV. PLEDGE OF ALLEGIANCE –

"I pledge allegiance to the flag, of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all."

V. INTRODUCTIONS –

Mayor Pro-Tem Richardson introduced City Manager Ralph Lange, Assistant to the City Manager Ericka Savage, City Attorney John Barr, Assistant City Attorney Jesse O'Jack, Fiscal Services Director Marilou Uy, Police Chief Tony DeGiusti, and City Clerk Intern Semaj Ray.

VI. AGENDA APPROVAL-

On a voice vote, the agenda was approved.

VII. AUDIENCE PARTICIPATION -

None

VIII. REMARKS FROM THE MAYOR -

None

IX. BUDGET DISCUSSION –

City of Ypsilanti Balanced Budget Plan and Options – City Manager Lange, Financial Consultant John Kaczor and Fiscal Services Manager Marilou Uy.

(Powerpoint presentation link on city's website). See the website under Fiscal Services (Budget and Audit Reports) to review current budget documents.

Council Member Robb asked if the City had received any payments from Family Dollar or Herman Kittle.

City Manager Lange responded that payment had not been received by either organization.

Council Member Robb stated that the City needs \$4.2 million to refinance the Water Street Debt. All transactions must occur before next summer before Ypsilanti goes through refinancing.

City Manager Lange stated that new development can help to pay for the Community Development Block Grant.

Council Member Robb stated that we need to plan for things that we can control, many things are out of the hands of City Hall.

City Manager Lange stated that the city has an active lobbying campaign.

Council Member Robb stated that the city keeps booking on savings from overtime. Ypsilanti Police Department had \$300,000 in overtime, while the Fire Department had \$90,000. Council Member Robb stated overtime needs to drop by \$50,000. He added that he sees grants as more of a flow cash in and out, as they are specifically earmarked and do not fall into the General Fund. He mentioned that we should not wait until 2017 to increase revenue. The city must create plans now to increase revenue, whether it be through parking, reducing overtime, or any other strategy.

Council Member Vogt asked if it would help to hire more police and firefighters than planned to help reduce overtime.

City Manager Lange responded yes, but there is a diminishing return. The goal is to hire enough people to eliminate structural overtime, stop paying people overtime to ensure that each shift is manned properly. The city has found exceptional value in the two tier system. In some situations salaries are \$20,000 less than what they were previously and overtime has also declined.

Council Member Vogt asked if the plan was to wait till more employees retire than pay their replacements at tier two levels.

Council Member Robb stated that the city is already counting on big savings from last year. The city projects to spend \$686,000 2013-2014, \$510,000 2014-2015, \$390,000 2015-2016, and \$340,000 2016-2017. Over the next three years, the city is forecasting to cut overtime in 1/2.

City Manager Lange stated that it's not a matter of hiring new people it's the wages, changes made to contracts, and command structural alignment. Mr. Lange stated that he feels confident that the city can achieve that level of savings because things have been done on how overtime is generated.

Council Member Robb asked if the projected \$100,000 in savings is from future savings or are there ideas that will be implemented currently. He stated that if there are strategies for saving in 2017 there should be ideas for 2015 as well.

City Manager Lange stated that a Lawnet grant had been received.

Council Member Robb asked what the benefit is of Lawnet if the city is losing all the drug forfeiture money.

Police Chief DeGiusti stated that the forfeiture fund is like a bank account, funds went into it over time and accumulated. Then the city lost its dispatch to the county and an extra cost was added. The Lawnet Grant is only around \$28,000.

Council Member Robb asked about the cost benefit from having Lawnet compared to a full-time officer. He added if the city were to leave Lawnet it would look bad for Ypsilanti but possibly the financial benefit from drug forfeiture money could be a higher incentive.

Police Chief DeGiusti stated the city does still get a cut of the drug forfeiture money; it is just a smaller amount.

Mayor Pro-Tem Richardson asked if the drug forfeiture funds will return to past levels.

Police Chief DeGiusti stated it is hard to predict how much money will be recovered through a drug raid. It is a matter of timing; however, if the Lawnet dedicated officer were brought back to the city there would be no way that the officer could generate as much work as Lawnet.

Council Member Robb asked if Ypsilanti left Lawnet would Lawnet leave the city.

Police Chief DeGiusti responded that the city would lose valuable information if the city were to leave Lawnet. Also, if you are a part of that organization you always receive a little more attention than if you are not.

Mayor Pro-Tem Richardson asked if there is money to replenish from the forfeiture fund will that be done.

Police Chief DeGiusti responded that a board decides what is done with all forfeited money and each agency in Lawnet has a representative on the board.

City Manager Lange stated that if it is replenished it will not occur at the rate that it was originally acquired. He added that this is regional cooperation where one person is able to leverage seven other people. The presented plan does not include a millage or an income tax proposal.

Council Member Robb asked for a clarification of the bond repayment schedule asking if it were possible to change the time allowed to repay the bonds.

City Manager Lange responded that is not a possibility. He stated that he had spoken with an attorney and an extension is not possible.

Council Member Vogt asked what the possibility of changing lenders of the bond is.

City Manager Lange responded that we don't know what the interest rate will be at that time. In order to change lenders, there has to be someone willing to purchase the bond.

Council Member Robb stated that the city always sees a lot of savings by refunding YCUA bonds and reissuing new bonds. The plan for 2016 is to refinance not reissue bonds.

City Manager Lange stated that buying out the whole debt is not enough to get a better interest rate. There would have to be a substantial down payment on the debt.

Council Member Robb asked if it would be possible to refund those bonds and reissue new bonds.

City Manager Lange responded that is a possibility but with a limit of 15 years.

Council Member Robb asked if the City were to refund the bond and reissue bonds to a new holder could the time limit be longer.

City Manager Lange responded that he agreed with Council Member Robb and that he would check with Miller Canfield.

Council Member Robb asked what it would take to refund. If the cost is \$13.254 million we could use a short term loan for the remaining 9 million then once the bonds are reissued repay the loan.

City Manager Lange responded that the bonds can be refinanced any time after May of 2016 without penalty. Every day that goes by the city would be losing options while funds would be reduced.

Council Member Robb stated that the funds that aren't being counting are in reserves. The savings from the trash contract goes into reserves. The savings that the city is seeing now are not annual; these are funds that should all be used to pay down the bond. The goal is to raise \$4 million in property sales.

Council Member Robb stated that the \$4 million raised through the sale of property should be used for refinancing. If the city receives a grant for the fire engine or the money saved through the new trash contract should be used to pay down the Water Street Debt. Every million the city pays toward the debt will produce \$82,000 in savings.

City Manager Lange stated that the city is beginning to gain control over the Motor Pool. The new trash contract will place the city in the position that it will be able to start to funnel money into the Motor Pool.

John Kaczor stated that what he hears from Council Member Robb is to put a plan in place that if you start to see access revenue, use that to lower the cost of the principle on the Water Street Debt.

Council Member Robb stated that the target is \$4 million, the city needs to raise that money through the sale of land, the fire engine grant, trash contract, or other means to reach the target.

John Kaczor stated that if Ypsilanti is able to sell \$4 million in land plus any additional savings then the city may be able to pay \$5 million toward the debt.

City Manager Lange thanked Fiscal Services Director Marilou Uy for all of her hard work behind the scenes during the budget process. Mr. Lange also thanked John Kaczor for his efforts.

Council Member Vogt stated that he agrees with Council Member Robb that when a plan is presented a pessimistic approach should be used. He added that the city needs to make an additional \$100,000-\$200,000 in cuts each year. The City should also maximize what is available by refinancing. The City may pay less on Water Street but it will still run out of money.

John Kaczor the City will not run out of money if all of its targets are met, the City will stabilize.

Council Member Vogt expressed concern regarding the public image if we present a situation that is more positive and then do not obtain it. The plan does not lay out unforeseen obstacles.

John Kaczor stated that they were presented with a worst and a best case scenarios. There is going to need to be a lot of hard work to meet all the targets of the best case scenario.

Mayor Pro-Tem Richardson asked if there were no increase in wages for union and non-union employees for 2014-2015 and 2015-2016.

John Kaczor stated that his projections run beyond budget cycles.

City Manager Lange stated that non-union employees have taken much less than AFSME. To keep the talent, the budget includes funds for raises after evaluations.

Mayor Pro-Tem stated that the City should still mirror AFSME.

City Manager Lange stated that the City is still behind AFSME.

Mayor Pro-Tem Richardson responded that she thought that the City had played catch-up the last Fiscal Year.

City Manager Lange stated that the City was only able to match AFSME for that year.

Mayor Pro-Tem Richardson stated that non-union employees were given 5% and that it mirrored AFSME.

City Manager Lange responded that union employees were seeing a percentage increase while non-union employees were seeing essentially nothing.

Council Member Robb stated that the plan is to deliver \$4 million, with \$1.7 million in savings. After the budget is passed on July 1st, there should be a more detailed plan presented.

City Manager Lange responded that when the initial plan was created SEMCOG reviewed it, this is simply part two of the same plan. He added that the City has hit all of its targets thus far.

Council Member Robb stated he is sure that this plan handles the economic development, that's just the \$4 million. On July 1st, that aspect of the plan will be discussed and every two months that plan will be revisited.

City Manager Lange stated that the Road Diet is being striped tomorrow morning. An engineer from OHM will be on-site and tape will be used at all the transition points for easy change after the report is complete.

X. AUDIENCE PARTICIPATION –

None

XI. REMARKS FROM THE MAYOR

None

XII. ADJOURNMENT –

Resolution No. 2013-118, adjourning the City Council Meeting.

RESOLVED BY THE COUNCIL OF THE CITY OF YPSILANTI:

That the City Council Meeting be adjourned, on call, by the Mayor or two (2) members of Council.

OFFERED BY: Council Member Jefferson

SUPPORTED BY: Council Member Vogt

On a voice vote, the motion carried and the meeting adjourned at 8:09 p.m.