

**MINUTES OF THE SPECIAL GROSSE POINTE CITY COUNCIL MEETING HELD
IN THE CITY COUNCIL CHAMBERS, 17145 MAUMEE AVENUE, GROSSE POINTE, MICHIGAN
ON TUESDAY, MARCH 23, 2010.**

The meeting was called to order at 7:00 p.m.

ROLL CALL

Present: Mayor Scrace, Council Members Boettcher, Stempfle, Stevens, Walsh and Weipert

In Attendance: City Manager Dame, Attorney Kennedy, City Clerk Arthurs, Finance Director Johnson,
Public Safety Director Fox.

Motion by Council Member Weipert second by Council Member Stempfle to excuse Council Member Parthum from the meeting for personal reasons.

UNANIMOUSLY ADOPTED.

PRELIMINARY 2010-2011 BUDGET DISCUSSION

City Manager Dame presented an overview and background report on budget preparation for the next fiscal year. He noted that preliminary discussions and input from the Council during budget development is helpful to staff to propose a budget in line with the expectations of the Mayor and Council. Mr. Dame stated staff prepared a preliminary five-year projection of revenues and expenditures. From that information, it was clear that the City was facing a structural deficit where revenues and expenditures would fall significantly out of balance in future years without a major course correction. This was due primarily to the significant decline in property values from which the revenue loss under the State Constitution would take more than a decade to recover, as well as significant decline in state shared revenues not expected to increase for the foreseeable future.

Mr. Dame discussed the financial overview of revenues and expenditures of the City noted in his memorandum to Council. He noted that unlike the 20% decline in residential assessments anticipated last fall, the final average residential assessment decline as determined by Wayne County is 9%. Instead of no decline in commercial assessments, there is an average 2% decline. Personal property which was estimated to decline by 3.3% last fall, will actually decline by 10%. With regard to expenditures, it is clear that the structural fiscal problem demonstrated is not attributable to increased spending. The City's General Fund expenditures have been flat for the last five years. The General Fund operations budget for this year contains less than what was actually spent in the budget approved in 2005 (\$6.1 million in FY 2004-05 versus \$5.9 for FY 2009-10). Mr. Dame discussed other measures the City has already taken to cut expenditures in every City department and how grant money was secured to facilitate infrastructure projects. The City has been working to contain health care costs for employees and retirees by banding together with a consortium of all the Grosse Pointe communities in the same pool. Employee health care costs are expected to increase this year and continue to increase over the next five years. Because of those costs, for the first time since 1992, the City's Retirement Board has found that City contributions are required into the pension fund to ensure its actuarial soundness. These costs are projected to increase to more than \$200,000 per year in four years. If no other source of funding is found, the funds set aside for retiree health care will be expended in 3-6 years, at the current cost of more than \$400,000 per year, and would have to be borne by the General Fund. In addition, significant numbers of employees will be reaching retirement age. Legacy costs, if not unchecked, will increasingly crowd out available funds for operations, reaching more than 10% of current General Fund expenditures by the end of five years.

Mr. Dame summarized the Ad Hoc Citizen Budget Committee's recommendations. Mr. Dame provided the Council with associated staff recommendations. The City Council discussed and provided input to the City Manager regarding each of the recommendations noted in the memorandum. Detailed discussion took place regarding the reduction of recreation special event expenditures, holding joint events with other cities, recreation user fees, and benefit packages for current and retired employees.

Discussion continued regarding the consolidation of the public safety, dispatch and court systems. It was recommended that the City Council endorse a formal process among the Grosse Pointes to examine options for more closely integrating Public Safety functions among and between the cities. Each Grosse Pointe would be invited to join an Ad Hoc Committee consisting of two elected officials including the

Mayor, and City staff including at least the City Manager of each City. The purpose of the Committee would be to review and study a range of potential Public Safety service integration options ranging from complete consolidation, fire equipment sharing, automatic aid, consolidation of courts, consolidation of dispatch, and EMS service delivery options. At the end of the process, the goal would be to identify what each community was interested in pursuing and to develop a recommendation for immediate next steps, as well as any potential longer-term goals. The Ad Hoc Public Safety Committee would report to the full Councils of each community for consent to move forward with implementation of the recommended short term goals. SEMCOG, the regional planning agency, has agreed to facilitate the Ad Hoc Public Safety Committee's exploration of potential options and development of potential steps.

Motion by Council Member Boettcher second by Council Member Stempfle to authorize the City Manager to issue invitations to the other Grosse Pointe communities to begin to examine options for more closely integrating Public Safety functions among and between the cities and join an Ad Hoc Public Safety Committee.

UNANIMOUSLY ADOPTED.

City Council discussed the solid waste services recommendation that the City's solid waste services become self-sustaining with revenues that cover costs. The Council agreed that staff would create a Solid Waste Fund in the budget to track expenditures and revenues. In this way, it would be clear how the multiple actions that could be undertaken to reduce costs and/or increase revenues were meeting this goal. These services are well suited to the user fee approach – if you use the service, you should pay for it.

City Council discussed the City's levy for paying the \$2.6 million in principal and interest on the pool construction project. The levy should be adjusted annually to cover costs. Staff completely concurs with this recommendation. There is no justification for the General Fund to be paying for the bonds and interest that the voters by referendum approved by a huge margin of more than 80%. While .5 mills had been originally sufficient to cover these costs, an additional .1479 mills is estimated to be necessary this year to cover these costs due to a declining tax base. This action will keep approximately \$48,000 from being diverted from General Fund purposes such as Public Safety.

It was further recommended and discussed that a referendum of Grosse Pointe residents would be required to raise the City's General Levy amount of 11.831 mills. It is also recognized that the City's fiscal picture is fundamentally altered due to changes in the economy. Staff agrees that General Fund resources should be preserved as much as possible for Public Safety services and the General Fund should avoid being tapped for lower priority items where possible. Staff's analysis of the typical impact of adopting the Ad Hoc Committee tax rate concepts this year would result in the typical tax payer receiving a significant reduction in City property taxes and also overall taxes due to the decline in property values. The impact on a Grosse Pointe resident whose \$250,000 home declined the average 9% in taxable value this year is shown below:

Average Example	Home Market Value	2009 Taxable Value	2010 Taxable Value	2009 vs. 2010 Dec line in Taxable Value	Using 2009 Homestead Total Tax Rate 43.999		2009 vs. 2010 Dec line in Total Taxes	Solid Waste	Pool Bond	Tax
					Total 2009	Total 2010		Levy	Levy	Savings
					Taxes	Taxes		Rate Change	Rate Change	Rate Change
Dec line of 9%	\$250,000	125,000	113,750	(11,250)	5,499.88	5,004.89	(494.99)	69.91	16.82	(408.25)

If the Committee's recommendation on tax rates for the solid waste levy and pool bond levy were implemented in whole this year, the average homeowner, assuming a house worth \$250,000 would see an overall tax reduction of \$408 in 2010 compared to 2009. Even with a higher City tax rate of 14.2625 mills in 2010 versus 13.5 mills in 2009 (5.6%), the example household's City taxes alone would still be reduced by \$76.

It was requested that additional information regarding cost recovery estimates for recreation programs, solid waste and pool levy rates, proposal for employee health care coverage, modifications to the employee handbook, and an explanation of public safety overtime budget projections be provided to Council at a future meeting, possibly the next regularly scheduled meeting.

Manager Dame thanked the Council for their input and stated additional information would be submitted to the Council as requested.

CLOSED SESSION

Motion by Council Member Boettcher second by Council Member Stempfle to go into closed session to discuss collective bargaining issues.

ROLL CALL

Aye: Boettcher, Stempfle, Stevens, Walsh, Weipert, Mayor Scrace
Nay: None
Absent: Parthum

MOTION CARRIES.

The City Council met in closed session from 9:23 p.m. to 9:42 p.m.

No additional action was taken and on Motion, the meeting was adjourned at 9:43 p.m.

Julie E. Arthurs, City Clerk
City of Grosse Pointe