

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI
SATURDAY, APRIL 10, 2010 AT 8:30 A.M.
COUNCIL CHAMBERS - NOVI CIVIC CENTER - 45175 W. TEN MILE ROAD**

Mayor Landry called the meeting to order at 8:30 A.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Landry, Mayor Pro Tem Gatt, Council Members Crawford, Fischer, Margolis, Mutch, Staudt

ALSO PRESENT: Clay Pearson, City Manager
Tom Schultz, City Attorney
Kathy Smith-Roy, Finance Director
Randy Auler, Director of Parks, Recreation and Cultural Services

APPROVAL OF AGENDA

CM-10-04-060 Moved by Margolis, seconded by Gatt; **CARRIED UNANIMOUSLY:**
To approved the Agenda as presented.

Voice Vote

Roll call vote on CM-10-04-060 Yeas: Gatt, Crawford, Fischer, Margolis, Mutch, Staudt, Landry
Nays: None

PURPOSE OF SPECIAL MEETING – 2010-2011 CITY OF NOVI BUDGET

1. Overview

Mayor Landry gave the overview of the budget process stating the budget could not be adopted today as there needed to be a public hearing. He said the ultimate end to these budget discussions would be a balanced budget that created an environment for economic development. Mr. Pearson explained that the budget presented was \$1.5 million less than the previous year and \$3.5 million less than two years ago. He noted the General Fund was balanced and the Rainy Day Fund was within the range 14% -18% at 17 plus percent and an additional \$850,000 had been put away to start off the next fiscal year in 2011-2012. He said there were a few Capital projects included in the budget such as modest park improvements, road work centered around matching Federal grants, neighborhood roads and the meat and potatoes of Novi City government was alive and well. He said Capital projects beyond this year would not be aggressive but they would be able to ride that through because they had done a lot of investment in equipment. So, after review, there would be very few Capital items over the next five years. Regarding parks, since they had centralized Field Services with DPS the Parks Fund didn't have as many direct expenditures. He said they were building a fund balance in Parks and Recreation so they would be able to do some parks Capitals down the road on a pay as they go basis. Mr. Pearson said the Judgment Trust Fund had been built up over the years and he recommended moving a portion of that balance back into the General Fund. He said the main thing that was different, based upon conversations about the whole budget, was a keen interest in getting additional savings that could be realized sooner rather than later towards budgets beyond 2010-2011 and to provide some benchmarks and targets in

terms of savings during this next fiscal year. Mr. Pearson suggested going back into the 2010-2011 budget and amend and adoption by Council to have another \$450,000 in savings partially from updated penalties and interest and there had been reconciliations of property tax penalties and interest of \$154,000 per Oakland County. Mr. Pearson recommended that two existing positions be eliminated saving \$220,000 and suggested a vacant position be removed from the budget. He asked Council to give them the flexibility and the room to work toward by January, 2011 another \$1.1 million in savings. He stated they wanted to look at operations. He commented there would be natural attrition through the year etc., and he was confident they could deliver that and give a good start for FY 2011-2012. Mr. Pearson felt this would allow them to keep the Fund Balance intact going into the next fiscal year and thought these items should be tiered because things could change to the bad or good. He believed the fiscal analysis was conservative and by January they would have the next year's taxable value and be able to deal with reality there. He noted they would have also closed out this fiscal year and would be able to see how they ended up there and would be in a better place to help deal with FY 2011-2012.

Kathy Smith Roy said they had been very conservative in preparing the budget. She said the property tax revenue in tribunal cases had been an ongoing discussion and issue. She commented there were reserves set up in the General Fund in terms of an estimated number, which was approximately \$300,000 less than where they were at today. In addition, they already had in their liability set up \$300,000, so there was a total of \$600,000 set up toward potential taxable value loss from cases in the tax tribunal. She felt that was conservative and more than appropriate for what they needed moving into the next year. Ms. Smith-Roy said they were also facing issues related to pension costs and other costs in personal services that actually made it appear that they had not made enough reductions. However, in fact, some of those were one time items that would hit them as they made reductions in staff. For example, there was \$105,000 in unemployment costs in this budget in the estimated and for next year. The other item was pension costs, which were increasing for a variety of reasons. She said there was a \$300,000 increase just for some increases in benefits that would occur June 1st. Ms. Smith-Roy noted in addition to that there were some closed groups and plans and as a result of that for the long term, the pension costs would decrease but short term they were realizing some increases now. She said that equated to an additional \$165,000 for a total of \$300,000 increase since they closed those plans.

- a. Introduction**
- b. 2010/11 Budget Overview/Highlights**
- c. Rainy Day Funds**
- d. Budget Program Categories**
- e. Capital Improvement Program**

2. City Council discussion and decisions regarding the plan priorities

Member Staudt said reductions were critical for future budgets into 2012-2013 and it was important to look out that far and it was good to see a two year approach to this budget, which really called out the third and fourth years more than he had anticipated. He said this was a process in right-sizing the City in the future, which included reductions in the work force and hopefully not significant reductions in services. He commented it was clearly leading into next year's budget, which would also need some additional cuts because the reductions in tax

revenue were not going away and with the projections they were seeing, it was going to continue. Member Staudt said downsizing the City didn't mean that they could abdicate their responsibility to continue Capital investment in infrastructure. The City still needed to invest in Parks and Roads and other things. He said while making reductions in personnel they had to be mindful of their responsibility to continue to make these Capital improvements in the City for the long haul. Regarding all the fund balances and special funds, he thought it should be used as a tool to monitor their success in balancing the budget at true operating costs. He said they couldn't anticipate major inflows of funds into the fund balances in future years; so they had to be extremely careful in managing those dollars and using them prudently. He said they were the financial backbone of the community and it was absolutely critical that Council keep them in mind whenever they were making decisions because those funds would become critical to the operations of the City in the future. Member Staudt said reductions in work force would derive exponential benefit on the Fund Balance once those changes were made and they must be made now. He said they would derive probably \$800,000 or \$900,000 of benefit from those reductions. He thought they were unique in that these types of reductions had been made without public handwringing.

Member Crawford said she was very appreciative of staff's time and effort looking at every single thing that they do in the City. She said this was probably the most challenging of all their budgets. She noted staff looked at everything from cell phone plans to eliminating meals from travel plans. She also thought the options for tier development were good because every 3-6 months, it was good to review all these items. Member Crawford stated she was very pleased that they were positioning themselves for grants because they had been very successful with grants and that they had themselves positioned to capture whatever monies that existed. She said she supported staff training and development as she knew the City was down 27 positions from two years ago and down 15 from last year. She noted wages were flat overall and that was done in this budget and they were continuing to negotiate for reductions and suggestions to make jobs different. She said she didn't think they could compare the staff wages with other communities because the duties were very different now that they were being combined and shared. Member Crawford said it didn't bother her that the wages were different than surrounding communities because the positions were different.

Mayor Pro Tem Gatt felt the budget sent to Council last week had a lot of problems and a lot of holes. He said it was balanced but thought it was balanced on a lot of one time fixes. He said they did take money from certain funds and plugged them into the General Fund and didn't give a clear look toward the future. However, that was all changed last night when the emailed memo arrived from Mr. Pearson and his staff that amended some figures and really attacked the problem. The problem was revenues had decreased and there was no clear cut reason to believe that revenues would increase in the not too distant future, property taxes would not increase, State Shared Revenue would not increase and certainly they were not going to ask taxpayers to pay more money. So, the revenue would stay stagnant and go down and the only way to balance a budget and move toward the future was to do what Mr. Pearson and his team was now suggesting in the tiers. He said the only difference he had with what was proposed and what he was going to say was how they would get there. He said they needed to reduce the budget by \$1 million to \$1.5 million and they needed to do it right away so they were not looking at kicking the can down the alley for next year's problems to manifest itself. He said Mr. Pearson's proposal would do that. However, it was at the expense of a lot of people. He said they talked about numbers, which were important, but he didn't want to forget about other

numbers like people's mortgages, car payments, tuition payments and life. He said if they eliminated 13 or 14 positions from the work force, it would balance the budget and move forward, but they would have devastated a lot of lives. He stated in January he had said that the employees of the City had to be a part of the solution and they do because most of government expenses were made up of employee costs. However, to eliminate that many positions without attempting another route was something he thought they should talk about. Mayor Pro Tem Gatt said if they reduced everyone's wages by 5% by July 1st from Mr. Pearson down to the lowest paid newest employee, they would save \$1.2 or \$1.3 million. Then if that savings was accomplished, and everything else put into place including not filling spots that were open and the natural attrition that would occur during any given year, they would position themselves for the next budget year and the years to follow to be in much better shape. He noted they would accomplish the same thing as the tier cuts. He said he was aware that unions were involved and he was not certain that they would agree to a 5% wage reduction. He said he certainly wouldn't want to impose that reduction on Administrative staff who didn't have a say in it without the union's buy in. Mayor Pro Tem Gatt said he would propose and hope that they could talk about at least going to the unions and asking if they were interested in that and if not, he would be the first to raise his hand and say they needed to move forward with the tier proposals Mr. Pearson put forward. He said they had to get there, that's their job as a Council, it's their elected duty to so, but he hoped Council realized there was more than budget numbers at stake here. It was a lot of employees who, if laid off, had little hope to find employment elsewhere in this State. He said they could accomplish the same thing and all he was asking was that they look towards asking the unions for their buy in. If they said no, and he wasn't talking about the union heads, he was talking about the whole group and every group individually, then Council would move forward with a clear conscience. He thanked staff and Administration for coming forth in the last 48 hours with a proposal that really tackled the issue because the budget received by Council last week had a lot of problems. He asked that they think about it and come to the same end but in a different manner.

Member Margolis said she appreciated comments earlier about how a team worked together to accomplish a goal. She said she liked working with a competent team who had real discussions about different views about how to accomplish something. She believed that projections were important but the main thing she continued to do with business clients was strategic planning, which was a challenge of continuing to look forward but also preparing themselves that things would change. Member Margolis thought it was important to stay in the present time, plan for the future and then be ready to make adjustments as things move along. She felt the budget helped Council get a better idea of what happened in the City as the numbers told a story. She said the questions asked included oversight of the budget and answers give the clear direction. Secondly, the questions give Council a chance to show the Administration where their concerns were and that they were all listening to each other. She said it showed that the trust she had in staff to run the City was well founded. Member Margolis said every year they present a balanced budget and she trusts them to do that and this one is a solid budget. She commented she was stunned that another \$1 million would be put into neighborhood roads next year and thought it was impressive. She thought in these economic times that was very important. Member Margolis said she didn't disagree, in principle, on the idea of giving employees the opportunity to have a couple options instead of cutbacks. However, she felt the City Manager and Administrators should have some discretion for personnel cuts. She said her problem with across the board cuts was that she didn't care how

efficient of an organization they had, there were people that worked a lot harder than other people. She thought it was less common here but that was the reality. She agreed with Mayor Pro Tem Gatt's talk about not bearing the brunt of the cuts on the back of the Administrative employees just because they could because that was incredibly demoralizing. She thought they did have to do things across the board but thought they needed to have some discretion. She said for the majority of employees in unions, and it was either layoffs or cutbacks for them. She said rather than mandating 5% across the board she would rather say they were really interested in cutting by this amount and give some discretion and direction to the Administration to say some could be layoffs, depending on which it was, and others, it might be more appropriate to ask for an across the board cut. She wanted to look at that and maybe do it in a finer way than an across the board cut. Member Margolis said it was tough to get a new job in this economy but the reality was that the ones who could get a new job were the most effective ones and the best employees. She said she would hate to be in a position where it was the people who had gotten the City to this place, because they were the best, end up leaving for those kinds of reasons.

Member Mutch noted as fortunate as they were to have the kind of budget that they had currently with some of the additional funds that were set aside, looking forward, they really had significant challenges facing the City. He said it was not a matter of whether they were going to cut or not, but a matter of when. Member Mutch said they could take advantage of an opportunity they had today, which was the benefit of having the time and opportunity to start making adjustments to the ongoing operating costs that drive the budget numbers. He said making those adjustments would not be easy and it was not fun especially when talking about lay offs or reducing services. However, they were necessary to go forward as an organization, as a City to be able to operate in a proactive mode in the actions they took. He thought that had been the sentiments expressed at the Council table. They needed to take the necessary steps to get to a point where down the road they could continue to function and operate as a City. He said they didn't want to be in the position that many communities were where there had to be emergency meetings of Councils, residents outraged or panicked because of major cuts in core public services. He thought they could continue to provide the core services and those services that made Novi a place that people wanted to move to. He said the goal was to keep Novi desirable and to keep the level of services that residents had come to expect. He noted the reality check for residents was that the level of services provided over the last several years had been due to increase in property values and new development, which allowed additional staff for Capital Improvements projects. He said those days were gone and they would try to deliver the highest level of services possible within the constraints of the funds they had. Member Mutch said this current budget year, the City expected revenues of \$26.9 million, \$25.5 million next year, and the following year \$24.8 million in revenues were projected. He said when they see they were facing over \$1 million in reduction one year out and \$3.9 million in reduction two years out and they were utilizing Fund Balance not only from the General Fund but over \$1 million from the Police and Fire Fund each of those years, they really had to make those changes today in order to prevent the Fund Balance from decreasing to 14%. Member Mutch said the changes that had been outlined by the Administration were consistent with where the City needed to go with the budget. He said when personnel costs were such a huge part of the budget, there was no way to reduce \$1 million or more from the budget without addressing the personnel costs. He said they could be reduced by reduction in salaries, benefits or a reduction in positions or a combination of all three. He said there was no other way to get to those numbers without implementing those kinds of choices. He said

that was the reality they were facing. He said he appreciated the position that Mayor Pro Tem Gatt was advocating because he agreed it was important for employees to be a part of the solution. He said his goal was to reduce the costs through any of those means. If they couldn't get agreement from employees about the approach they needed to take, then Administration would have to make the choice because the longer they waited, the more difficult it would be. Member Mutch said he would like to see Council be clear about spending a lot less on personnel services.

Member Fischer commented he was very impressed with the thoroughness of the budget document. He believed it had a foundation for fruitful discussion from Council and it shed light on where they planned to go and what they needed to do. Member Fischer believed they used very conservative estimates in a lot of the budget documents. He felt that the line item expenditures and revenue estimates and thought they were very conservative and it was always good to err on the side of caution. Member Fischer believed they struck a balance for the 2010-2011 budget and for looking into the future. He said it was impossible to plan too far out and he found that when they couldn't really pinpoint where things would be down the road, they were just adding a 3% inflation factor. He thought they struck a balance by not tying the Administration to looking too far into the future, so the tiered approach would handle that. He commented he was comfortable with the proposed 2010-2011 figure of the high end of 17% for Fund Balance. He knew the Administration would be mindful of hiring, attrition, etc., as the Council would look at benefits and promotions within the City that as long as they were mindful of their obligation in the future budget years, he thought they would be OK. Member Fischer said he was a little nervous that they were looking at a minimum but, again, that went back to the conservative estimates. He said he would and thought Council would ask the Administration to bring that percentage up. He said he was not in favor of across the board cuts and felt they were very unfair and they didn't allow the Administration to make strategic decisions, which was why Council had a City Manager here on a day to day basis to do. He said it was the City Manager's job to find out where they could make strategic cuts when necessary. He thought across the board cuts hurt employee morale and didn't address the fundamental problem underlying the City as far as right-sizing the City. He said when they were doing across the board cuts they were not right-sizing the City. He said he could not be in support of that. Member Fischer thought if necessary, they could move forward with the tiered approach given to Council. He thought the Council had been very mindful of continually reviewing benefits and thought they would continue to do that and that was how they should continue to address future problems.

Mayor Landry noted concerns that had been stated, by members of Council, the Administration and residents and he wanted to address them. He said the first was Fund Balance. He said it had been stated "my God, the City's burning through its Fund Balance" or "they're balancing this budget using our Fund Balance". Mayor Landry discussed how they had used Fund Balance, in the white book on page 24 there was a summary of Fund Balance. He said July 1, 2009 there was \$10.3 million in Fund Balance. He noted the expenditures this year were \$30 million, so if they had not used any Fund Balance this year it would be 33%, which he felt was too high. Mayor Landry said these were tax dollars and he didn't think they could tell residents their roads couldn't be paved etc. while keeping one third stashed away in the bank. If looking historically, they had done that every year that he had been here. He stated that last year and in previous years, the Fund Balance was mostly in the 20% to 30+% range. He said he didn't see anything wrong with using Fund Balance dollars every year and thought it was

appropriate. He commented he didn't think it was a matter of burning through Fund Balance to balance the budget. Mayor Landry said hand in hand with this there had to be a policy of what they felt comfortable with maintaining in the Fund Balance. He said he was very proud that this City Council made a decision two years ago to increase it from 8% to 12% to 14% to 18%. He said there was a lot of time spent discussing the 14% to 18% range and he thought that if, as an organization, they agreed to a range as opposed to a number, then he thought as long as they were within the range they should be satisfied. Mayor Landry said the next concern was the expected revenue, which would decrease and were what he called the page 217 reality figures. He said the reality of these figures was for next year and it looked like the City would be \$1.1 million short, 2012-2013 it would be \$3.9 million short and this was a very legitimate concern. He agreed with Member Mutch that they had to be proactive and not reactive. Mayor Landry said there was also something else on page 217 they should be aware of and that was the track record of the Administration. This Administration from the 2008-2009 to 2009-2010 budget decreased expenditures \$2 million and this year they were decreasing expenditures as the proposed budget \$1.5 million. He said they had done it looking at these numbers, \$1.1 million, \$3.9 million but this Administration had done \$2 million and \$1.5 million and decreased employees by 10% over the last 2 years. He said it was important how they got there and it had to be a fair process, but fair to who? He said it had to be fair to the City because they had an obligation to maintain City services as best they could. Mayor Landry said at budget time they always seemed to focus on expenditures, but that was only half of the budget process. He said the other half was revenue; so he thought they had to make sure they had a well educated and well trained staff, state of the art communication between businesses and residents. He said if they were going to be a world class City, then they had to have a presence around the world whether it was the web site, economic development people attending conferences in Germany because Novi needed to attract international businesses. He said that was the future and he thought that was in this budget. Mayor Landry agreed they needed to right size the City but smarter. He said they needed to allow for professional growth, give staff continuing education and he felt that was the way to motivate people. If they wanted to keep smart people working for Novi, they had to have a budget and Administration that allowed them to grow or they'll leave. He commented, in the end, he didn't want to fundamentally change the City. Next, he said was Capital Improvements and it had been said they needed to be concerned about Capital improvements. He said they needed to keep up with Capital improvements, find the money and be concerned now with how they would do the Capital improvements. Finally, concessions were a reality and must be addressed. He noted he wasn't talking about just no raises, but about going backwards in some way whether contributions toward health care, decrease in overtime or a wage concession. He said they had to seriously start looking at the labor force and start pursuing some concessions.

Mayor Landry stated he had a recommendation that he thought addressed Fund Balance, expected decrease in revenue, ability to maintain the core functions and start on the road to concessions. First, he talked about the outlook. He said 2010-2011 revenue, \$26.9 million expenses as proposed \$28.5 million and there was a deficit; how would they get there. They would use \$1.5 million in Fund Balance, which was projected. He said they had \$1.4 million left over from 2008-2009 and it was proposed they save \$850,000 of that for the future. He said look at this year and as proposed they would use \$1.5 million in the Fund Balance and they would have a balanced budget this year. He said next year, 2011-2012 revenue \$25.5 million and if the expenses didn't change they would remain at \$28.5 million, which meant they would be down \$2.9 million. He said that was what they would be facing at the Council table

one year from now. Mayor Landry said they might have \$850,000 so they would be looking at \$2.1 million. He said three years out, 2012-2013 revenue \$24.8 million if the expenses stay the same and were not cut, they were at \$28.5 million and they would be down \$3.6 million. Mayor Landry said that was the outlook and the problem they had to address, something had to give. He said here was how he suggested they do it. Mayor Landry said going back and looking at the numbers this year, 2010-2011, revenue of \$26.9 million, expenses \$28.5 million. He suggested they immediately cut \$400,000 and the City Manager told them how they could do that immediately before July 1st. He said make the changes that bring expenses down to \$28.1 and that meant this year the shortfall was \$1.1 million. They did use Fund Balance but \$400,000 less of it and this year was balanced. He suggested they tuck away the \$1.4 million left over from 2008-2009 and not use any of it. He said next year, 2011-2012, revenue \$25.5 million, which was \$1.4 million less than this year but they had the \$1.4 because they tucked it away. So, next year they use that \$1.4 million. He said if expenses stayed the same, they were at \$28.1 in expenses and they would be down \$1.1 million next year. He suggested that in the next twelve months they would have to make decisions that would yield them \$1.1 million in the fiscal year 2011-2012 and that was where the tiered approach, or however they do it, in this upcoming year. He noted he was not talking about saving \$1.1 million this year; he was talking about making decisions this year that would yield the City \$1.1 million. Mayor Landry said now there would be a balanced budget this year and next, as long as they followed through with the changes and the Administration had told them one way it could be done. Next 2012-2013, revenue \$24.8 million, if they cut this next year \$1.1 million, then the expenses would be \$27.1 and two years from now they would be looking at only having to make up \$2.1 million. He noted that instead of the \$3.9 million, that number was now down to \$2.1 million. Mayor Landry said this would mean, in the next two months, Council would have to cut \$400,000, in the next twelve months they had to make decisions that would yield \$1.1 million and he liked the idea of benchmarks. He said the City Administration had proposed January 1st and there were two tiers with each being \$500,000 and change to come up with the \$1.1 million. He said if they do that they were in effect balancing the budget for two years. He said this was looking at a two year budget program and was a way to balance the budget for the next two years. It would also give them time to negotiate some concessions and see what the revenue looked like in the coming year. Mayor Landry said the action he would propose was to adopt what was recommended and cut \$400,000 immediately by July 1st. Then talk about benchmarks going forward, \$1.1 million by January 1st or by this time next year and making the changes that would yield \$1.1 million coming in the future. He thought if they did that and gave themselves a benchmark, they would then have time to go to the unions and staff and give them an option of which way they wanted to go because this was the number they had to get to by whatever date. Mayor Landry said the employees needed to tell them whether they wanted to contribute more toward health care, lay people off or take a haircut in the wages. He said this would give them an opportunity to work with the Administration to come up with these concessions. He said this would leave a definitive benchmark and they would be well on their way to addressing these problems. He said he would be in favor of immediate cuts, keeping the \$1.4 million in with the Fund Balance so they could use it next year and discussing moving towards making these cuts with a benchmarked analysis.

Member Staudt felt the proposal was consistent with what he was looking for, but being proactive, he thought they would have to look at another million dollars worth of reductions in the 2011-12 budget. However, he thought by making these immediate types of changes they

were able to look at things like concessions, which have a much longer life span. He thought that the concessions they were looking for were probably in addition to what they needed to do during this upcoming fiscal year. He said he was willing to listen and thought they should take a very proactive approach throughout the year. In addition to the things they were talking about, which were basically direct cuts, there were a lot of other things that could be done to reduce the budget that take a lot longer time. He hoped that was the spirit they took to 2010-2011 that they were looking forward to the next budget cycles. Member Staudt said Council had a unique opportunity to project revenues and it was clear they were not looking at favorable property values over the next 2 years. He commented page 217 was the basis of the City's future and every cut or reduction made now would have a future effect. He said every cut or reduction made now would have a positive affect. He said he saw them having to use a portion of the Fund Balance for Capital investment into the community. He stated he was not saying they should do it on the back of employees but that was where they would derive the most benefit because employees represented 80% of the budget. He said that's where the cuts have to be made and concessions would be important for the long term fiscal health. He said he was very supportive of what was being done. He said, in the past, there was a lot of discussion about line items but this was about trusting that Administration would put the correct things in the budget. He said considerable structural changes were made within a week and that generally just didn't happen. He said he was willing to listen but thought timeliness was critical to provide a real cash return that could be used for future development, investment and it kept the backbone of the City healthy.

Mayor Pro Tem Gatt said no other Council in Novi's history had ever had to face this. He said what Mayor Landry had proposed was very close to what Mr. Pearson sent to Council last night and he thought they were very close to an agreement. He thanked Mayor Landry for the expertise and knowledge he had brought to the Council table. He stated whether employees took a 5% cut in salary or higher contribution to health care or a combination of both he didn't think there was an employee that would be happy. However, if they cut people from staff to reach their goal, this Administration had a lot of money invested in these employees, training money, equipment money that they would be throwing away. He said employees would not be happy but it was going to happen and there had to be benefit reductions. He thought the 5% reduction would not be so hurtful to so many people but it would still accomplish the goal. He agreed with Mayor Landry regarding Fund Balance except for one thing and that was there was a policy 14% to 18%. He said there had to be enough money in the Fund Balance and there had to be a drop dead figure that kept Novi healthy. He said the tiered approach was perfect and agreed the quicker they could save money today the less money they would have to draw from next year's Fund Balance. He said it was important that they don't delay.

Member Margolis stated this aligns with what the Administration was proposing and she didn't believe in hoarding money because residents deserve to receive services for their money now not 20 years down the road. She noted these projections didn't include revenue from any new construction that might occur. She said what was important about page 217 was that there was a leveling off and she thought it was important to get that out there. Member Margolis said yes, they were projecting huge decreases but were also projecting, at some point, that there was a leveling off of this and then a slow increase. She said she had no problem with setting aside some extra Fund Balance this year. She said the City would probably end up with close to a 23% Fund Balance because of the cuts as proposed. Member Margolis said how would the tier two savings be realized. She said she had not heard anyone say they were totally

against cuts in wages, layoffs or attritions and she thought it would take all of those things. She proposed that Administration had performed in the past and would again to come up with a customized approach that would include all of these. She thought Administration should have discussions with the staff so that they were involved and she thought that was the most important thing. Member Margolis thought people got very frustrated working at a place where decisions were passed down across the board, with a "we're the boss" and "we're going to say this" attitude. However, when staff was involved in those discussions and how that would come about, she thought made a big change.

Mayor Landry proposed that someone offer an amendment to the budget to accept the Tier 1 net savings. So if that motion were to pass, then this budget would include decreasing expenses \$447,410 in the manner suggested in the April 9 memo. Then he suggested they set benchmarks and work toward the Tier 2 savings by January 15, 2011 and Tier 3 by April 1st. He said that would give them the opportunity to, in their negotiations, to have an executive session as soon as they want to make some propositions on potential concessions with the unions. He said they could put deadlines in it and do whatever they want and work with the concessions. Mayor Landry said if they work with the concessions then perhaps they wouldn't have to lay anyone off in the future. If they don't, then they would have to proceed along the lines given in the memo. He said that would give them flexibility to propose the concessions in the next six months and it would give the employees the opportunity to consider the concessions.

**CM-10-04-061 Moved by Margolis, seconded by Fischer; CARRIED UNANIMOUSLY:
To amend the budget to include the Tier 1 net savings outlined in the
April 9th memo, and direct the Administration to work with Council
to attain the Tier 2 and Tier 3 savings by January 15th.**

DISCUSSION

Member Mutch stated he supported that direction. However, what he would be looking for soon was an outline from them on what potential concessions would include and what the fiscal impact of those would be. He said what he was looking at was the understanding that if they went to the labor groups for certain concessions that typically would be applied across the board, he wanted to see how they fell because it would potentially involve the Administrative group that was non-union. He thought they needed be consistent where they were looking for concessions that would be applied across the board. He thought they would run into problems with the union groups if there was a perception that they were taking a hit unfairly. He said if they had a standard that they were applying to one group and not to another it would create some inequities that would create difficulties for Council. Member Mutch said for that reason, the other thing he was looking at was the number that Mayor Landry gave Council earlier, even with these ranges of reductions, just based on projections so they knew it could change, there's still that \$2 million in the next budget year after that. Member Mutch said what he would like to see was along with whatever was accomplished this year, if there were a range of concessions they could accomplish that would reduce that number even further and two years from now Council would be looking at a much smaller number as well.

Mayor Pro Tem Gatt stated he would support the motion and wished it would be amended to be a bit more aggressive. He said he would like to see Tiers 2 and 3 accomplished by the

January 15, 2011 benchmark. He said the quicker the monies were saved the less they would have to cut next year and the year after. He said Council had received in their packets, information not long ago, a ridiculous proposal by a group of people that wanted 4% increase in wages, increased pensions, etc. He said if the unions say no to Council request for a solution and instead move forward to binding arbitration and were successful in their endeavors, then these numbers would have to change as far as people because they had to accomplish a monetary savings. He said if employee costs were increased as a result of something Council had no control over, then they would need to lay off more people than were being proposed; that message had to go forth too. He said they didn't have any control of the unions or over binding arbitration that might or might not be given. Mayor Pro Tem Gatt said the public should know that if they approve the motion, Tier 1 meant that they would be eliminating two police officers. He asked that the motion be more aggressive to accomplish the Tier 2 and Tier 3 savings by January 15th, so they could begin realizing those savings.

Member Staudt said all of these savings have a realization for future fiscal years so if they deferred the Tier 3 savings, it wouldn't affect this year other than it provided an additional approximately \$125,000 savings to the Fund Balance. He said that would be the amount three quarters of the year would be used in these positions. He said he joined Mayor Pro Tem Gatt in looking at a more aggressive posture only from the standpoint of he thought they would know very soon where the union stands. He said if there was no basis for negotiation, the sooner they could make decisions, the better it would be for our long term financial health. Member Staudt said they would have the fiscal analysis of the previous year available in the fall. He said April was really getting a long way out there. He said by April they would be looking at 2011-2012 and he thought if they could make the reductions by the projected date of January 15th, he would be in favor of both Tier 2 and 3 being done January 15th. He said by doing that, they and staff would enter the next budget season knowing where they stood. He asked for a friendly amendment to stick with what was proposed by staff with the January 15th date. He thought it would make it so much easier on them. He said he wouldn't want to vote against it for that purpose.

Member Margolis asked Mr. Pearson if he was comfortable with January 15th and he responded that for the reasons stated, he thought it would help. Member Margolis, maker of the motion agreed as did Member Fischer, the seconder of the motion.

Member Crawford thought they had never been more forward thinking and proactive as they were now. She thought they would have to really focus on continuing being proactive with retaining and pursuing new business wherever it might be found. She said she was very much in favor of Mayor Landry's proposal. She said even though everything was on the table from every small thing to every big thing, her first choice would never be across the board cuts. She said she didn't think it did what they wanted it to do. She said she was very much in favor of the motion.

Roll call vote on CM-10-04-061

**Yeas: Gatt, Crawford, Fischer, Margolis, Mutch,
Staudt, Landry**

Nays: None

Member Mutch noted one of the proposals in the Parks and Recreation budget was eliminating lifeguards at Lakeshore Park. He said he was not comfortable operating Lakeshore Park

without lifeguards on the beach. He said was provided a memo that explained how it could be done and the limits of liability and even with lifeguards there, it was never a guarantee. He said he was not interested in operating the beach in that manner and he would not be comfortable supporting that. He said if the Council agreed with his position, he would be looking for the Administration to come back with a proposal that adjusted their budget to fund that service. Member Mutch said secondly, and maybe a potential source of funding, was the amount of Capital improvements being recommended for the Fuerst Park as part of the Parks and Recreation budget. He noted Council just had the Parks Foundation before Council discussing the utilization of naming rights and he didn't see that in their budget. He said other improvements proposed were benches and opportunities for smaller naming right donations from individuals. He said, beyond infrastructure improvements, he thought there were improvements or enhancements to that park that were perfect opportunities for naming rights for individuals, organizations or companies would love to take advantage of a chance to contribute towards the development of that park in a way they could be recognized. He was looking for a proposal from Administration that would recognize the Parks Foundation naming rights involvement that they had recommended to Council and also identify improvements within what was proposed that would be suitable for naming rights opportunities such as benches or larger enhancements that were in Phase 2 and 3. He thought that the Library and Parks Foundation had been successful in finding donors and that showed him there were opportunities to capture some naming rights. He said if they could capture 50% of the costs through donations, it would be money that could be spent elsewhere.

Mayor Landry asked if he was correct that the Parks Foundation had committed \$45,000, this year, for the infrastructure of the gardens. Mayor Pro Tem Gatt said that was his recollection. Mr. Auler said they were going to consider that at the April 20th meeting and they would get confirmation at that meeting.

Mayor Pro Tem Gatt agreed with Member Mutch about the lifeguards being very essential at the Lakeshore Park. He said it was a \$32,300 savings out of a nearly \$30 million budget and he hoped they could find some money to bring that back. He said it had been a part of this community since he had been and he thought they were being penny wise and pound foolish.

Member Staudt thought the allocation of naming rights money required them to do this and it was a part of the formal budget process. He asked if \$45,000 was part of the \$300,000 allocation. Mr. Pearson said no. Member Staudt thought very specifically in the naming rights agreement that they had to make it part of the budget and then they would allocate it to the City as a request of part of that budget. He thought it should be incorporated and then they should make a formal request. Mayor Landry suggested he make a motion that it becomes a part of the budget and then they inform the Parks Foundation that the proposed budget included it. Member Staudt said yes.

Motion was approved to add \$45,000 from Parks Foundation.

Member Staudt was concerned about the capital improvements and now there is \$850,000 more in fund balance. It was something to think about rather than parking it along with the \$1.4 million.

CM-10-04-062 **Moved by Staudt, seconded by Margolis; CARRIED UNANIMOUSLY:
To add \$45,000 from the Parks Foundation to the budget for the
specific purpose of the Community Gardens at the Fuerst Park
facility.**

Roll call vote on CM-10-04-062 **Yeas: Crawford, Fischer, Margolis, Mutch,
Staudt, Landry, Gatt**
Nays: None

Member Staudt said, with their actions today, they had broken loose about \$800,000 of additional Fund Balance that Administration didn't expect. So, he suggested there might be some things that were critical needs and were put off and should be brought to Council's attention by Administration. He agreed with Member Margolis that they shouldn't sock it away for the future, if it was needed. Mayor Landry asked where the extra \$850,000 was and Member Staudt said it was from the additional cuts they were making and it would reduce the amount that they needed to use the Fund Balance that was going to be allocated. Mayor Landry said in addition to the \$1.4 million that he suggested they park and Member Staudt said he didn't know about the \$1.4 million and was told that it was a part of it.

Member Margolis said budget cuts were hard. She said she didn't agree that the lifeguards should be put back at Lakeshore Park. She said they needed to understand that when they make these broad decisions, it affected things like that. She said she remembered the discussion about the new snowplowing policy, which really saved money last year and there was concern about that. She felt those tough decisions had to be made even when it looked tough; it's a small amount but this was the reality of making budget cuts. She said she had concerns about not upgrading the Microsoft Office and that made her nervous because the City was behind the curve on those kinds of things, but that was her pet thing. She commented they needed to stay the course. She said a lot of the reading she did said that, quite frankly, the liability was higher when lifeguards were present than if they posted that there were no lifeguards. She said this was because with lifeguards they were suggesting a level of safety that perhaps was not there and when it's clear that they would swim at their own risk, it required a level of watchfulness. She said as far as the Fuerst Park, she had an unusual opportunity after the book pass the other day and had a chance to look out of the second floor windows of the Library at the Fuerst Park. The fact that they managed to bring the Library in under millage and under budget was amazing. She said it would be a fabulous facility for the community and would help raise property values and bring people in and stabilize property values. She said it was important to continue to do small things at Fuerst Park and she thought they needed to maintain on that.

Member Fischer agreed with Member Mutch and supported keeping lifeguards at Lakeshore Park. He said they still had Camp Lakeshore where they send children and residents to swim there and he felt it was much safer to have the lifeguards there.

CM-10-04-063 **Moved by Gatt, seconded by Fischer; MOTION CARRIED:
To approve taking \$32,300 from the Parks Fund Balance to be used
for seasonal lifeguards at Lakeshore Park.**

DISCUSSION

Mr. Pearson stated it should come from the Parks Fund Balance and it would lower that fund by that amount.

Member Mutch thought that clarification was important because within the Parks and Recreation Fund, the focus of that fund had shifted from being an attempt to support every maintenance and operational activity services to focusing specifically on the operational needs of that department. He said that fund was operating very well and it was a very defined expenditure for this community and one that had value. He thought it was one they could support financially and would make sense for the community.

Roll call vote on CM-10-04-063

**Yeas: Fischer, Mutch, Staudt, Landry, Gatt,
Crawford
Nays: Margolis**

Mayor Landry asked if they needed another Saturday meeting. He said there had been some requests for additional information from the City Manager and asked if they would be comfortable that they could receive that between now and the public hearing on May 3rd with the budget adoption on May 17th. There was consensus that it would not be necessary to hold any other budget meetings.

Member Mutch asked for a revised page 217 in the budget and update just the end of the fiscal analysis with the numbers that Mayor Landry laid out.

AUDIENCE COMMENT - None

ADJOURNMENT

There being no further business to come before Council, the meeting was adjourned at 10:38 A.M.

David Landry, Mayor

Maryanne Cornelius, City Clerk

Transcribed by Charlene McLean

Date approved: April 19, 2010