

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI
SATURDAY, JANUARY 8, 2011 AT 10:00 A.M.
FIRE STATION 4 - 49375 W. TEN MILE ROAD**

Mayor Landry called the meeting to order at 10:00 a.m.

PLEDGE OF ALLEGIANCE

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

1. Process Review

a. Update on 2010/11 Strategic Themes and Goals

b. Update on September 8, 2010 Management Staff Retreat and brainstormed ideas

2. Initial thoughts – roundtable discussion

Member Staudt stated he had a simple goal to maintain long term fiscal health, He will support an increase in fund balance and revenues must equal expenditures. We are 4 years away from that reality and he would continue to look at cuts or something to accomplish that. He noted that very prudent fiscal decisions have been made the past few years.

Member Wrobel noted he was very pleased with what the City has done so far.

Mayor Pro Tem Gatt complimented the Administration for everything done in the past. The fiscal analysis shows problems a few years down the road. The main purpose as an elected official is to make sure the City remains safe and secure with police and fire, then make revenue and expenses meet.

Member Margolis stated the City is in good shape, There appeared to be a trough coming and we are ready for it and we are nearing the bottom of the trough. We are recovering faster than anticipated. The major job of City Council is approving the budget and noted many other cities face a much more difficult job.

Member Mutch noted it was helpful to have budget discussion and we must provide clear direction for budget and goals. Those goals where Council is specific are the ones accomplished. He spoke of the Landings and community gardens at Fuerst Park, Those were accomplished because they were clear goals that were focused and specific and fell within their ability to fund.

Member Fischer stated we've asked City employees to do more with less resources, Administration has acted on directions of Council and their decisions have put them in a better place. We can expect revenue to drop and more work to be done to align revenues and expenditures. We see revenue bottoming out in the next few years.

We are headed in right direction and he felt confident that Administration will utilize this direction today prior to budget preparation. He asked everyone to focus on services and products we want to deliver from the City. He asked staff to think strategically about services we are providing in terms of if it is necessary or can someone else provide it at a lower cost. We need to focus on core competencies.

Mayor Landry echoed all comments of his colleagues and stated he was increasingly impressed with these goal sessions. By honing in on specific targets, this gives staff goals and allows them to be more efficient. Some budget discussion is necessary but this is not budget. He would approach this by asking how can we consolidate with other cities and within our city and provide better services. He has seen a lot of job sharing with employees too. Decreased costs can result in increased revenue. Initial emphasis is on expenditures but focus must be on revenues. Keep an eye on educating and enabling the staff as they must be trained and given the tools to do that job. We must look forward and find a way to enhance services. Train, cross-train, collaborate with other municipalities and that will allow us to attract more businesses.

3. General Fund Fund Balance: The City of Novi should maintain policy of 14% - 18% of expenditures as undesignated fund.

- a) Yes
 - i. If majority yes, then new question: The City of Novi should use funds in excess of 18% for:
 - 1. budget stabilization for any forecast gap in fund balance below 14% in FY 2012/13 and beyond?
 - 2. capital infrastructure improvements (roads, pathways, parks),
 - 3. one-time payment towards future pension/OPEB obligations, etc.
 - 4. FY 2011/12 City service provision/enhancements
- b) No
 - ii. If majority no, then new question: The City of Novi should amend its policy to target General Fund fund balance between xx% and xx% of expenditures as undesignated fund.
 - 5. Yes
 - 6. No

Council held discussion on Item 3. Member Staudt noted his concern regarding amounts used to bridge the gap between expenditures and revenues. Last year, he recommended Council to go 18-22% fund balance. As our budget goes down, he's interested in maintaining a range as it's not good enough to keep the bond agencies or banks happy. He felt the need to have a hedge and supports an increase. The remaining portion should be considered for CIP like neighborhood programs such as street repairs, continuing park development programs and money available for matching grant funds. He supports 18-22% fund balance and using some for Capital Improvements.

Member Fischer stated it was important to note fund balance is used as an accounting function and not as an available bank account, but the city should have something similar to an emergency account that families have. Too large of an account is not prudent either. He noted expenses should match revenues but felt excess funds should be used for Capital Improvements, OPEB (Other Post Employment Benefits) pay down, retiring debt or even lowering taxes. Expenditures have exceeded revenues, but we are still at a healthy percentage and he wouldn't support dipping below a certain percentage. He was comfortable with the present policy at 14-18% and possibly tightening that percentage at 16-18% which would be 4.2 to 4.9 million in fund balance.

Member Margolis commented that taxpayers don't want to pay taxes to have Council sit on a fund. Fund balance won't save the city. The City of Troy, for years, sat on a really big fund balance but yet they still have to close their library. We ended last year with 34% fund balance and the projection is for 28% this year. The policy dictates 14-18%, but every year the topic comes up and if everyone's not comfortable, it should be discussed as a policy decision not a knee-jerk position. She suggested looking at a stabilization policy and agreed it needs to be a percent. We've done a lot to stabilize including the personal services line item which is always a big part of the budget. Utilize any excess fund balance for roads or to pay down legacy costs. That will set up the City for the future.

Member Mutch stated through the budget process, cuts were made including personnel cuts. He cited the proposed fund balances for the years through 2014. Property taxes continue to fall, but by 2013-14, we may have hit the bottom of the trough. State revenue sharing is likely to be cut. We continue to rely on fund balance to make up the difference between revenue and expenditures and it's not a problem during good times. He noted that 1.3, 1.8 and 1.1 million are proposed to be used in the upcoming years to balance revenues versus expenditures. After 2014, we will face another shortfall in police and fire line items. This doesn't project any capital improvements. Once we reach that 14% fund balance, it will be with unspecified cuts. While they are projections and progress has been made toward cuts, he wants to see a fund balance that we can sustain over time. With the fiscal analysis, he questioned if we are on a path that we can sustain that 14% over time. He felt more comfortable with 18% fund balance that gives direction as to how we spend money to get us to a point where we aren't in a constant decline. The biggest challenge is to not fall into a triage mode. We've made some difficult cuts losing good people who worked for the City of Novi. He doesn't want to go through 2-3 years of constant cutting. Right-size the organization vs. dragging it out over the next few years. We need to be on a more sustainable path. We should see what the fiscal analysis looks like with those bottom line numbers. This will require changes in how we spend money. He suggested getting the City on a path where we don't have to worry 2-3 years out.

Member Wrobel agreed with Council comments to give Administration clear goals but money shouldn't be sitting there when it should be used for a specific purpose. He leaned toward 18%, but felt citizens would like to see it used for roads. Reducing our debt would also be a priority. 17-18% would be good but he leaned toward 18%.

Member Gatt stated the steady decline in fund balance concerned him most. He agreed with Member Margolis that we are on a good course, but to maintain it, there might be more cuts ahead. The level of fund balance will be affected when the City Manager says he can't cut anyone else without affecting safety. He supported 18% fund balance.

Mayor Landry stated there was no wrong answer for this policy discussion. We are really laying the groundwork for what the City will be like for the next 50 years. It is important for Council to set a policy that doesn't change year to year. The best interest is to set a range and then future Councils can decide whether they want to be on the high or low ends. He was not in favor of a really close range, but in favor of looking at the higher end of a range due to specific events. You can bank it or do improvements with it. Keep in mind that Council took 1.4 million to use for 2011-12 and also made cuts. If we use the 1.4 from last year, we're at a 25% fund balance. Right now, if we made no changes, the policy is still 14-18%.

Member Mutch noted the most important number was at 3 years out. He's not ready to spend money on anything until he sees a fiscal analysis. Every cent of the 1.4 million was planned to be used for operations. He won't be able to use any of that money until he sees 3 years out. He agrees with Capital Improvements for any excess, but doesn't think Council can make that decision today.

Mayor Landry agreed that if there is excess, spend it on Capital Improvements.

Member Staudt felt that 18% would be the bottom of a range. He stated the fiscal analysis showed that we went from 25% down to 14% and we shouldn't be buying down and 18% is the lowest end of the goal. The message Council should be sending is that we should only get to 18% as the absolute minimum. He is saying that whether 8% or 14%, it was not his goal to spend down to those amounts but to spend what is prudent to maintain the city operations.

Member Margolis disagrees because every year someone says we are in trouble. With people paying taxes, she doesn't want to sit on a fund balance so large that residents are asking why their roads aren't being fixed. Our money should be put prudently into infrastructure and pay down legacy costs that will produce a healthier budget. She can't support 34% fund balance per year. Council should tell Administration what the range is and bottom line. Last year we had 9.7 million in our fund balance. This year it's projected to have 8.2 million. It's a misnomer that we're spending down to 18%. The main tenant of management is to give clear direction. We need to be clear and comfortable and then let them do their job. We didn't account for any increase in revenue. She would be ok with setting the range higher at 18-22% but then we'll be ok if coming in at the top of the range. You can do anything with projection numbers and Administration has been very conservative with their projections.

**CM-11-01-002 Moved by Gatt, seconded by Staudt; MOTION CARRIED:
To adopt an 18-22% fund balance as policy.**

**Roll call vote on CM-11-01-002 Yeas: Gatt, Mutch, Staudt, Wrobel
 Nays: Fischer, Margolis, Landry**

Council members discussed their ideas for any excess of fund balance:

Member Fischer – budget stabilization, roads, OPEB (Other Post Employment Benefit) liabilities.

Member Mutch – budget stabilization, park improvements, neighborhood roads, OPEB.

Member Margolis – roads and OPEB/legacy costs if above 22%.

Mayor Pro Tem Gatt – roads and OPEB legacy costs. We must still have 18% in a couple years.

Member Wrobel – roads and park improvements.

Member Staudt – roads, non-motorized paths, trailways and parks investment.

Mayor Landry – 6.1 million is the 22%. Excess over the 22% would be \$800,000 or 18% would leave 1.9 million. We've always used fund balance to stabilize the fund. He felt 22% was too high, but noted Council would have this discussion at the budget meeting.

Member Staudt assumed there were no additional cuts in the budget. If looking at cuts for future budget years, no one is looking at this year, but future years.

City Manager Pearson stated he would bring back a formal policy change for 18-22% fund balance for next fiscal year.

Member Mutch noted there was lots of discussion about fund balance, but expenditures will drive how that goes forward. We may still need to make expenditure changes. We have money for this year because we made tough choices. When Council has the numbers, they will know better where to make cuts.

Council recessed at 11:40 a.m. and reconvened 11:50 a.m.

4. Longer-term financing structure: Should the City of Novi change how the City takes in the same amount of revenue? In other words, should the City take in revenue from an Administrative fee and simultaneously lower the overall property tax millage rates by a commensurate amount?? Such a change would off-set the costs for assessing/treasury services and use a portion of such proceeds to set-up a long-term reduction of the City's pension and retirement obligations. No increase in costs to taxpayers from remaining with past practice of wholly property taxes. If so, when?

City Manager Pearson spoke about administrative fees that could lower the tax rate and levy an administrative fee. This would give us additional ability to utilize the funds in many other ways. If we have that flexibility, we could commit to long term buy down for OPEB (Other Post Employment Benefits). We could also do a Headlee rollback. He asked for some policy direction in terms of a general consensus.

Mayor Pro Tem Gatt stated he was not in favor of the administrative fee.

Member Wrobel stated it was a no gain on taxes, but the perception was that people would see it as tax, so he could not support it.

Member Margolis stated it would be difficult to explain this to people and an inappropriate way to move forward. More importantly, she questioned why we were looking at this. Our per capita debt is so low right now. Novi is funding a lot more improvements from current tax dollars. Yet, there are caps on what we can bring in to the general fund. Future discussion would be to go to the citizens and say here are the items you may want to consider funding in the future and perhaps citizens want to fund park improvements or consider the concept of using water and sewer funds to pay down some of our MERS closed contracts. We would then pay ourselves back. That is a way for us to get to a higher level of investment. That would be maximizing a way to lower legacy costs.

Member Fischer agreed it doesn't seem right at this time, but appreciated the idea that was considered. He also suggested to pay down of the OPEB (Other Post Employment Benefits) and as we see other debt fall off, he asked Administration to look at ways to use the intra-governmental loan and propose that idea.

Member Mutch stated he was not interested in an administrative fee at this time. It was great that we are paying down debt. He hoped that residents will one day be able to see a lower millage rate. He would like to consider consolidating some of our millages for buckets where the money goes. We could go to the residents and say within the amount approved, would residents give us more flexibility of how that is spent and possibility have 2 millages; one for capital and one for general.

Member Staudt stated taxpayers should decide how or when revenues would increase so he was not in favor of an administrative fee. We are facing a Headlee problem in the City. We'll have to go back and talk to residents about public safety and parks millages. The issue of using our internal resources to fund pension liabilities is something worth looking at through the funds we have available.

Mayor Landry expressed that he was in the minority as not being opposed to it.

Council recessed at 12:07 p.m. reconvened at 12:27 p.m.

5. Confirm Major Strategic Theme Categories –

Roundtable Discussion

- a. City Council discussed additional themes to be added or changed and provided input for each theme.

◆ **Ensure public safety services meet the needs of the community (Police, Fire, Public Works)**

1. Put public safety data online in map form
 - a. Put fire response data online in map form
2. Fund capital improvements for Department of Public Services (DPS) facility based on a long-term plan
3. Continue to implement International City Management Association (ICMA) study recommendations
4. Investigate billing for "lift/assist" calls to nursing homes
5. Continue to fund and expand uses of the cadet program
6. Review tone-out policy for medical emergency calls
7. Continue to look at opportunities to deliver efficient public safety at the lowest cost possible
 - a. continue to consolidate aspects of police and fire services to obtain more efficiencies and enhance overall services
8. Continue to pursue providing services to other communities (dispatch, etc)
9. Better utilize Community Emergency Response Team (CERT) volunteers
10. Ensure proper funding for public safety
11. Consider public safety millage
12. Continue to coordinate scheduling paid on call and full time firefighters 24/7 - 365

◆ **Improve Infrastructure (Roads, Water and Sewer)**

1. Fund key intersection improvements from the I-96 study
2. Increase funding for neighborhood road programs
3. Fund Northwest quadrant ring road project
4. Identify specific projects and begin to accumulate funds
5. Fund and complete a portion of phase one of the non-motorized master plan
6. Keep pressure on the County to fund Grand River improvements
 - a. notify the residents of our continued efforts to get Oakland County to repair Grand River
7. Develop a way to fund the completion of sidewalk gaps across non-residential properties (commercial, apartments) - possibly using Special Assessment Districts or 50/50 match
8. Review policy for road preventive maintenance to ensure adequate repairs are also aesthetically pleasing
9. Work towards regional control of the Detroit Water System
10. Further investigate cost sharing alternatives with surrounding communities for cost savings (i.e. greater bulk fuel savings)

◆ **Encourage economic development to maximize City revenue and job growth**

1. Implement Master Plan update recommendations (ordinance changes, etc.)
2. Continue to pursue charging station grants for city properties, commercial properties, and retail areas of city
3. Set a goal of 500 new jobs through attraction and expansion efforts
4. Economic development of older areas of the City by researching potential grants for existing businesses/developments
5. Fund a land bank to acquire strategic properties around the City
6. Develop a report on developmentally difficult areas of the city
7. Continue strategic action plan for Main Street/Town Center. Continue to solicit stakeholder feedback to improve the area & investigate possible city-caused impediments to investment in the area.
 - a. Propose implementation plan for reasonable suggestions from 2010 outreach to Main Street/Town Center stakeholders
8. As development increases, continue to track building and planning service delivery metrics to ensure high levels of customer service and response time
9. Provide the ability for all forms, licenses, etc. to be completed online
10. Create an Executive Business Roundtable in Novi
11. Focus on ways to help existing businesses expand within the City rather than consider moving out of the City

◆ **Develop government structure and staff skills for effective delivery of customer services and communication with community**

1. Continue to invest in continued education of our employees
2. Solicit input from all employees for ideas for goal setting
3. Review the possibility of consolidating some millages and ask voters to approve
4. Reduce the distribution of Engage to those who opt in to receive it
5. Search for ways to engage and encourage more citizens to get involved with City boards, commissions, and volunteer opportunities
 - a. Encourage greater diversity on boards and commissions to better reflect the demographics of the community
6. Continue to use cross-functional teams to study and implement large projects/initiatives
7. Create more online tools for payment, service requests, code enforcement, etc.
8. Conduct department by department reviews to determine what they do, how they do it, and why they do it, so it can be determined if what they do provides value to the City or not; then change accordingly
9. Continue efforts to share services with the school system
 - a. Consolidate with schools for training
 - b. Continue to actively explore opportunities to share services with cities, schools, etc
10. Investigate re-opening the front of the civic center (road) and provide handicap/senior/expectant mother parking close to entrance

11. Encourage Youth Council to get involved in one policy making/legislative initiative in 2011
12. Invest in technology to ensure more efficient delivery of services
13. Investigate combining departments' services to reduce expenses

◆ **Be a community that values natural areas, natural features and community character**

1. Continue to seek grants for acquisition and development of park land
2. Update ordinances and design and construction standards to be consistent with adopted Complete Streets resolution
3. Review recycling in the City including City buildings, recycling center, and possible use of a Recycle Bank Program
4. Continue focus on code enforcement to ensure high quality community and neighborhoods
5. Partner with private businesses to fund landscaping improvements to M-5/12 Mile interchange area
6. Review ordinances to increase and ensure enforceability
7. Seek sponsorships from community groups and business to "adopt" natural areas
8. Provide public composting location
9. Partner with schools to share natural areas

◆ **Maintain a fiscally responsible government**

1. Eliminate car allowances
2. Include in 2011-2012 budget a plan to lower expenditures to match revenues by FY 2012-2013
3. Adopt a two-year budget starting in 2012
4. Look to investments in and electrification of City used fleet vehicles
5. Limit out-state travel for all employees. Find local training
6. Comprehensive impact study of recent and potential future Municipal Employees Retirement System (MERS) policy changes, including ability of the City to opt out, implications of doing so, and possible alternatives.
 - a. Investigate alternatives to MERS for funding pension and retirement plans
7. Provide an incentive program for employees who provide cost-reduction ideas/strategies that result in real savings
8. Analyze options to use City funds to fully fund closed pension funds and save City money long-term
9. Review health care policies (beyond premiums and co-pays) as compared to other cities and private companies and implement ways to further bring down costs
 - a. Find ways to reduce retiree health care costs

◆ **Enhance park, recreation and cultural services**

1. More and better senior services
2. Complete Fuerst park improvements
3. Limit the use of Parks, Recreation and Cultural Services Fund Balance to Capital Improvements - No operations
4. Fund at least one major park capital improvement project using naming rights funds.
5. Complete a comprehensive analysis of Senior Transportation with the goal to drive down per trip cost to users. Utilize partnerships, naming rights, electrification of fleet, etc. to make it more accessible to all senior residents
 - a. Explore cost/benefits of contracting out senior transit services
6. Continue to attract sports tournaments
7. Complete the tie-in of City bike paths/ trails with surrounding communities
8. Enhance Lakeshore Park and market better especially to south end residents
9. Invest in basic infrastructure for Villagewood Lake Park
10. Identify citizen level of desire for a dog park. If appropriate, pursue low cost proposal including City owned land and development using in-house/volunteer labor and materials
11. Complete first mile of trail in ITC corridor.
12. Establish more local active parklands

City Council prioritized the top 3 (some items were tied for points) within each of the Strategic Themes of service improvements

1. Ensure public safety services meet the needs of the community (Police, Fire, Public Services)

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| 1. Continue to coordinate the scheduling of paid on call and full time firefighters 24/7 - 365 |
| 2. Continue to implement International City Management Association (ICMA) study recommendations |
| 3. Investigate billing for "lift/assist" calls to nursing homes |

2. Improve Infrastructure (Roads, Water and Sewer)

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| 1. Increase funding for neighborhood road programs |
| 2. Fund and complete a portion of phase one for the non-motorized master plan |
| 3. Fund key intersection improvements from I-96 study |
| 4. Review policy for road preventive maintenance to ensure adequate repairs are also aesthetically pleasing |

3. Encourage economic development to maximize City revenue and job growth

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| 1. Provide the ability for all forms, licenses, etc. to be completed online |
| 2. Implement Master Plan update recommendations (ordinance changes, etc.) |
| 3. Continue strategic action plan for Main Street/Town Center. Continue to solicit stakeholder feedback to improve the area & investigate City-related impediments to investment in the area. |

4. Develop government structure and staff skills for effective delivery of customer services and communication with community

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| 1. Continue efforts to share services with the school system |
| 2. Investigate re-opening the front of the civic center (road) and provide handicap/senior/expectant mother parking close to entrance |
| 3. Create more online tools for payment, service request, code enforcement, etc. |

5. Be a community that values natural areas, natural features and community character

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| 1. Update ordinances and design and construction standards to be consistent with adopted Complete Streets resolution |
| 2. Continue focus on code enforcement to ensure high quality community and neighborhoods |
| 3. Continue to seek grants for acquisition and development of park land |
| 4. Review recycling in the City including City buildings, recycling center, and possible use of a Recycle Bank Program |
| 5. Partner with private businesses to fund landscaping improvements to M-5/12 Mile interchange area |

6. Maintain a fiscally responsible government

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| 1. Review health care policies (beyond premiums and co-pays) as compared to other cities and private companies and implement way to further bring down costs |
| 2. Include in 2011-2012 budget a plan to lower expenditures to match revenues by FY 2012-2013 |
| 3. Comprehensive impact study of recent and potential future Municipal Employees Retirement System (MERS) policy changes, including ability of the City to opt out, implications of doing so, and possible alternatives. |

7. Enhance park, recreation and cultural services

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| 1. Identify citizen level of desire for a dog park. If appropriate, pursue low cost proposal including City owned land and development using in-house/volunteer labor and materials |
| 2. Complete Fuerst park improvements |
| 3. Complete a comprehensive analysis of Senior Transportation with the goal to drive down the per trip cost to users. Utilize partnerships, naming rights, electrification of fleet, etc. to make it more accessible to all senior residents |

AUDIENCE COMMENTS – None

There being no further business to come before Council, the meeting was adjourned at 2:07 p.m.

David B. Landry, Mayor

Maryanne Cornelius, City Clerk