

A special meeting of the City Commission was held in the Commission Room of the City-County Building, 325 Court St., Sault Ste. Marie, Michigan on Monday, April 25, 2011 at 7:00 p.m.

Present: Mayor Bosbous, Commissioner Bauer, Burton, Gerrie, Lynn, Munsell, and Stefanski

Also Present: City Manager Nebel, City Attorney Cannello, City Clerk Troyer, Acting Finance Director Collins, and various Department Heads

Mayor Bosbous allowed the opportunity for public comments:

There were no comments from the public.

RECONCILIATION OF THE 2011-2012 FISCAL YEAR BUDGET:

A packet of information was provided to the City Commission on Thursday, April 21st in response to the "Hit & Wish" items that were identified by the City Commission at the budget work session held on Tuesday, April 19th. There were a number of issues that required further analysis prior to providing a detailed report back to the Commission that are contained within this memo. City Manager Nebel had also forwarded to a list of ideas and concerns that were expressed by City employees at various points throughout this process.

The recommended budget included many very difficult decisions that City Manager Nebel felt he needed to recommend to the Commission in order to keep the City of Sault Ste. Marie in sound shape. One of the more challenging parts of this decision is in regards to requesting employees taking a 5% reduction in wages. As an employee who would be impacted by this cut, it is something City Manager Nebel personally does not like. But when left with the scenario to address a \$340,000 hole in the budget of further reducing employees for the City of Sault Ste. Marie, City Manager Nebel felt it was more appropriate for everyone to make this simple sacrifice in order to keep more of the programs and more employees employed here in the City of Sault Ste. Marie.

On the position reductions, City Manager Nebel does not see a sustainable way to continue maintaining the number of positions that the City of Sault Ste. Marie has today in the future. City Manager Nebel does believe that the City should give an opportunity to continue maintaining those probationary employees through openings that may be achieved with an offer of a retirement incentive with this occurring in a fairly short time frame.

There are a number of significant issues with this recommended budget. First of all, it anticipates receiving the full reduced amount of statutory revenue sharing by meeting the three incentive areas that the Governor has outlined in his budget. If the

City does not meet these areas to the satisfaction of any legislation that is passed by the legislature, then the budget will be further reduced, requiring further reductions from what's recommended. Secondly, if the 5% reduction in wages is not accomplished through negotiations, then further cuts will be necessary there are well. The 5% reduction reduces expenditures by \$340,000 in the various operating budgets. At this point, there is no guarantee that the City will even receive the amount of revenue proposed in the Governor's plan. The legislature and Governor have made a pledge to finalize the budget before the end of the City's fiscal year on June 30th. It will be beneficial if this goal is indeed accomplished. In past years, a budget has not been finalized until the early morning hours of October 1st, which is the beginning of the State's fiscal year.

"HIT & WISH LIST"

1.) Add Back Two Positions in the Police Department

The cost for adding back 2 positions in the Police Department would be \$117,900. Please see Chief Riley's justification for doing this. The Chief has looked at other reductions to offset a portion of these costs as well as some new revenues to generate additional funds for these positions. City Manager Nebel recommended that the City Commission extend these two positions as probationary employees for an additional two months through August 31, 2011. This will add an additional \$19,700 in expenses. This will also give Chief Riley an opportunity to look at the implementation of new revenue sources that could help offset one or both of these positions. With the retirement incentives package, positions could open up in which the probationary employees could fill those positions in the future even at a reduced staffing. If significant additional revenues can be found by the Police Chief, then the Commission could consider continuing one or both of these positions in the future.

Final Decision: Add back two positions in the Police Department till 8/31/2011.

2. Add Back Two Positions in the DPW

The cost for doing this would be \$103,600. The two positions represent 12.5% of the Street Department's plowing staff. The positions also assist in doing more capital projects with DPW staff as well. Please see attached justification from DPW Director Jim Atkins. City Manager Nebel proposed that these two positions be extended through August 31, 2011 at a cost of \$17,300 in order to determine whether any attrition would allow the two probationary employees to continue on with City staff. This would be conditioned upon a continuation of their probationary status through August 31st.

Final Decision: Add back two positions in DPW till 8/31/2011.

3. Voluntary Retirement Incentives for Buyout

City Manager Nebel recommended that the City Commission consider the following incentive program to offer an opportunity for employees to retire in order to address the budget matter. This is as follows:

- a. Extend probationary status to two Police and two DPW employees to August 31, 2012 and continue funding these positions through the months of July and August.
- b. Negotiate a 5% wage reduction by July 30, 2012 and pension modifications in order to qualify for the Governor's incentive funding, which is part of this budget.

If the City is not successful in negotiating these concessions, then the City will be forced into eliminating the probationary employees as well as taking steps to eliminate the \$340,000 shortfall that would otherwise occur in the City's budget. If this is not accomplished, a list of further reductions will be provided by October 1, 2012 for addressing any additional budget shortfalls.

- c. Implement an incentive program in the Police and DPW Departments for two positions each in order to be able to retain the probationary employees in those departments. These funds would not be included in final average compensation. Employees within the department would need to apply for the incentives by July 15th. In cases where more than two employees are applying in either department, the employee with the highest City-wide years of service would receive the benefit. Employees would have to retire by October 1st. Again, the incentive would not be paid if the 5% wage reduction is not implemented. No incentives would be created to allow a purchase of generic time at military service rates in either MERS or the Police-Fire Pension fund.
- d. With the changes to the amount of time that can be included in final average compensation that is proposed, City Manager Nebel recommended that these not be implemented until March 1, 2012 in order to not penalize employees who are considering retirement within that time frame.
- e. If a two-tiered wage schedule is implemented in any bargaining unit or for non-union positions as well, an incentive would be created to encourage others to retire in order to hire individuals in at the new wage schedule.

Final Decision: City Manager Nebel to provide a report back to the City Commission on or before May 31, 2011.

4. Reduced Overtime

City Manager Nebel included reports from the various departments on this issue. During the budget process, City Manager Nebel recommended, in many cases, a reduction in overtime from the previous fiscal year for various departments. At this time, City Manager Nebel did not recommend that the Commission take any additional reductions in overtime for this fiscal year from the budget line items; however, City Manager Nebel recommended that administration do a more comprehensive review of the overtime policies as it relates to negotiations and as it relates to non-union, non-department head positions. City Manager Nebel is asking the Human Resources Director to review all non-union descriptions and determine which positions should have exempt salary status and which positions should receive overtime. In addition, administration will be doing a complete review of each department's overtime practices with a final report being completed on these issues by July 30th and submitted to the City Commission after that date.

Final Decision: City Manager Nebel to provide a report back to the City Commission on or before July 31, 2011.

5. Evaluate Hiring

Administration did not attach a cost item to this, since it will determine where the vacancies occur in the City organization. As positions open up, it is important that the City evaluate how they provide those jobs with the necessity of continuing to provide those particular services and taking a look, from a reorganization standpoint, to see if there is a way more cost effectively.

Final Decision: City Manager Nebel to provide a report back to the City Commission on or before July 31, 2011.

6. Time Studies for Departmental Efficiencies

City Manager Nebel proposed that administration take an internal look at this issue. There are some limitations to an internal review of this matter. If the Commission is thinking in terms of having a consultant review the performance and structure that would require an additional appropriation.

Final Decision: Internal Study

7. Eliminate the Time Clock

The cost savings for eliminating the ADP timekeeping system would be \$1,373 per month. The system has not integrated smoothly with the payroll system; however, it has enabled administration to really look at the payroll practices in various departments, since its implementation. City Manager Nebel does believe that the net impact of the time clocks have been that the City has probably paid a little more overtime for hours that would not have been charged overtime in the past. The City Commission has three

options.

- 1.) Continuing to maintain the ADP system and work towards better integrating it with the total payroll system,
- 2.) Eliminate ADP but keep time clocks for separate accountability purposes, or
- 3.) Eliminate ADP and the time clocks.

Final Decision: Eliminate ADP and the time clocks.

8. Freeze Spending (Travel/Training)

Attached are the various responses to this item from each of the departments that have some travel and training funds. City Manager Nebel believes very strongly that it is critical for this organization to provide training opportunities for its employees. In many of these cases, training is mandatory for certain licensed positions. Training may be required in order to meet continuing education requirements for certain certifications that various employees have within the City. Each travel request is reviewed by City Manager Nebel individually, and as a percent of the overall budget, the travel and training amounts are quite modest. During these rapidly changing times, City Manager Nebel believes it is important for all employees as well as the Commission to remain on top of the game in their various fields. One area of travel that can be reduced is that \$5,100 of the various travel budgets include the parking permits for those employees located at City Hall. With the move to the Federal Building, this expense will not be incurred for those offices making the move. This would result in a savings of \$5,100 for those departments who will no longer be needing to provide parking permits for their employees. This cost was charged against the travel line item. This will also result in a reduction in revenue to the Parking Fund of \$5,100.

Final Decision: Eliminate Parking Permits from the travel account which would result in an annual savings of \$5,100.00. City Manager Nebel will review and approve all travel.

9. Flexibility in Job Descriptions in the DPW

City Manager Nebel believes that DPW Director Jim Atkins has made a significant effort to reduce some of the barriers that previously existed in the Department of Public Works. There are always opportunities to take a look at expanding that, understanding that the City does need specialists in certain areas of the work that the DPW crews perform. This is particularly true with water treatment, water distribution, and water filtration functions. Administration will continue to look for opportunities to shift resources where they are most needed as particular times of the year. See attached report.

10. Human Resources Travel Expenses

An amount of \$3,200 was included in this budget, which would allow the Human Resources Director to obtain SHRM certification and to participate in the EUP Human Resources Society's quarterly meetings and conferences. If the Commission wanted to eliminate the certification in this calendar year, that would equal approximately \$2,000.

Final Decision: Maintain Human Resources travel expense as recommended by the City Manager in the amount of \$3,200.

11. Eliminate the Human Resources Department

The Human Resources function has been a very important function for the City of Sault Ste. Marie. While there was a comment that the City could reorganize these efforts with the various personnel who dealt with them before, the reality is that much of the reporting and work that the City is required to do as an employer was not getting done.

As any employer knows who has faced fines from MIOSHA, the IRS, or other entities, keeping the records of 135 employees in a legal fashion is absolutely essential. Dealing with the MDOT drug screen, utilizing best practices in employing individuals, and having additional oversight over benefits is a good investment of time when you take a look at the City's total payroll of over \$7 million.

Final Decision: Maintain Human Resources Department.

12. Federal Building \$50,000 "Other"

As the City moves into the New City Hall, there are going to be requirements for things that are not included in the project as one time expenses. These could include window shades on the south side of the building for offices in that location, janitorial equipment and supplies, and other issues. City Manager Nebel recommended that the City keep some money in that project. If the Commission wants to reduce that \$15,000 to \$35,000, City Manager Nebel believes that administration may have enough funds to address some of the issues that will arise during the first year of occupancy of the building.

Final Decision: Reduce expense from \$ 50,000.00 to \$ 35,000.00 with an annual savings of \$15,000.00.

13. Non-Departmental Telephone (Reduction from \$50,000 to \$40,000)

In reviewing this matter and looking at the new system that the City will be utilizing, administration is recommending that that line item be reduced by \$10,000.

Final Decision: Reduce expense from \$50,000.00 to \$40,000.00 with an annual savings of \$ 10,000.00

14. Eliminate SANE Position

Attached is a report regarding the SANE position. If the City eliminated that position, the City would reduce expenses by \$92,200 and revenues by \$35,800. This would, in effect, eliminate a position in the department. City Manager Nebel believes as the largest city served by SANE, the City has been well served by having City officers participate in this program. City Manager Nebel does not recommend elimination of SANE.

Final Decision: Maintain the SANE Position as recommended by the City Manager.

15. Eliminate Fire and Ambulance Food Allowance

The food allowance cost for all fire fighters is \$34,200 through the course of the year. This is paid through payroll. This is a negotiated item. If the Commission wants to have administration approach this in negotiations, they certainly can.

Final Decision: Handle through contract negotiations.

16. Cost Recovery from Soo Eagles for Use of the Pullar

When the Soo Eagles rent ice in the Pullar, they are paying the same hourly rate as if they are practicing on the ice, versus having 1,000 in the Pullar Building. Obviously, the expenses to the City are significantly greater when there are 1,000 spectators watching a game. Dan Wyers is proposing that a fee of 50¢ per attendee be added to the tickets and to be turned over to the City to help offset the additional janitorial, energy, and other expenses that result from this heavy use of the building. Dan estimates that this would generate approximately \$6,000 for the City.

Final Decision: Implement attendance charge for all Ice Events.

17. Pullar Expense vs. Revenue

Administration attached information as to the net between revenues and expenses for the Pullar Building for review. City Manager Nebel asked the Acting Finance Director to take a look at 1993 or 1994 to see what the net expenses were at that time.

18. Property Liability Insurance (Reduction from \$170,000 to \$155,000)

It appears in the costs that insurance costs that are normally allocated out from that fund were inadvertently left in that fund, which would enable the Commission to reduce that line item by \$15,000.

Final Decision: Reduce expense from \$170,000.00 to \$155,000.00 with an

annual savings of \$15,000.00

19. Safety Committee

\$2,000 was appropriated for Safety Committee activities. City Manager Nebel recommended the Commission leave those funds in place should there be an initiative to improve worker safety in the City during the course of this next year.

Final Decision: Maintain \$2,000.00 for Safety Committee.

20. Recognition Dinner

\$2,000 was appropriated for the recognition dinner. This has not been held in recent years. Administration has wanted to try to recognize employees in some way in the future in lieu of the recognition dinner. The Commission certainly can remove this appropriation in this year until administration has a specific program in mind.

Final Decision: Eliminate Funds.

21. Other

This is just a catchall account for various miscellaneous expenditures. City Manager Nebel recommended that it remain in the budget at \$2,500.

Final Decision: Eliminate Funds.

22. Create a Public Safety Department

City Manager Nebel included information both from Police Chief John Riley and Fire Chief Jason Thorpe on this issue. If the Commission were interested in pursuing this option, City Manager Nebel believes the City would need to bring in a firm that does consulting for these types of consolidations.

Final Decision: Not at this time.

23. Fireworks

The estimated year end only included the bill following the fireworks and not the deposit. Therefore, in the tail end of this fiscal year there will be a deposit that will add up to the \$11,500 that have traditionally been spent for fireworks. The \$11,500 is the same amount spent in other years for the fireworks program.

Final Decision: Keep City Sponsored Fireworks Event for 2011 (Research limited sponsorship for 2012 event).

24. Correction in Library Transfer Out

Kristin Collins has noted the correct amount on the Library Transfer Out, which is an increase of \$3,800.

Final Decision: Correction

25. Eliminate the Proposed New Position and Existing Part-Time Positions in the IS Department

If the interns and the new position in the IS Department were eliminated, there would be a savings of \$40,000. Attached is a memo from the IS Manager regarding the various software programs that are currently operating in the City. As the City moves into the new Federal Building, the security camera system, audio visual systems, and other technologies incorporated in that building will require support. In reviewing the organization with other organizations having a director and two interns as the City currently has or having two personnel is, by no means unusual.

As time goes on, the City is incorporating more technology within the organization all the time. While it was suggested that the City might be able to look back and divvy up responsibilities as done before, the use of technology within the City of Sault Ste. Marie has grown exponentially since those days. City Manager Nebel does not believe it could be reasonably supported by one position in the City. City Manager Nebel is comfortable, however, continuing the part-time positions if the Commission feels more comfortable with that method versus eliminating the two part-time positions and creating a second regular position in the IS Department for a savings of \$5,000.

Final Decision: Eliminate proposed new IS position and keep two part-time interns in IS Department.

26. Remote Meter Reads

Attached is a report from Jim Moreau on remote meter reads. Jim indicates that, including installation, the City would have to invest \$800,000 for a radio read system. The total meter annual departmental budget request is \$180,000, which includes 2 ¼ employees, plus the needed supplies and equipment.

Final Decision: Not at this time.

27. Sell the Carbide Dock

The City has informally indicated that it might be possible to sell the back part of the dock (on Portage Avenue) off and keep the waterfront dock for marine purposes. Please note that the renovation of the dock is extremely expensive. If the City were to actively consider selling the entire facility, then it would be appropriate to develop a Request for Proposals that would include the entire premises. Please note that there are environmental issues in part of the dock as well. This would likely impact the City's

expenses for 2011-12, since the sale of this property would probably be a long-term issue. If the Commission is interested in proceeding with the development of an RFP on this property, then the Commission should so direct that action. Otherwise, it is administration's intent to continue maintaining the Carbide Dock as it currently is.

Also, the City Commission received funding to build a command and control center that will be used to process people getting in and out of the Carbide Dock property area and to be used for emergency situations on the St. Mary's River. This is being funded with the majority of homeland security funds with local Carbide Dock funds making up the balance of this work.

Final Decision: City Manager Nebel to provide a report back to the City Commission on or before June 30, 2011.

28. Correction Remove Building Department Files

This was purchased by the Commission at the last Commission meeting, so it does not need to be in the budget for the 2011-12 fiscal year.

Final Decision: Correction

29. Correction Remove Snowmobile Pavement Crossings.

This was approved by the Commission at the last Commission meeting and will be funded out of the current fiscal year and does not need to be appropriated out of the next fiscal year.

Final Decision: Correction

30. E. Spruce Phase 2 from Ashmun to Ord

The funding that the City has left over is required to be spent on E. Spruce Street from Ashmun Street to Ord. E. Spruce Street from St. James to the power canal will be reconstructed as a future phase of the CSO work. The additional areas of E. Spruce Street would be eligible to utilize these federal funds. If the City does not use this funding, then the funds will revert back to the Federal Highway Administration. City Manager Nebel recommended administration determine what segments can be improved with these funds and proceed in utilizing the Federal Highway Funds.

Final Decision: Keep project funding in place.

31. Fund Doors and Windows at Fire Hall from TIFA

The DDA has appropriated the remaining funds that were in the Maloney Alley Rear Store Improvements Account for this purpose. Based on the estimate, the work would require \$15,000 additional monies in the General Fund. City Manager Nebel

believes this is a reasonable cost share between the TIFA and the General Fund to get this work done. As an alternative, a portion of the work could be delayed; however, administration believes there could be some energy efficiencies gained by upgrading the windows and doors at the Fire Hall.

Final Decision: Fund 100% from TIFA2 pending the DDA's Board approval.

32. Ashmun Bay Dredging

\$72,000 would be required to be appropriated to complete this work in this year. Administration is proposing that this work be considered for the 2012 fiscal year, which would allow administration to get the work done before the grant would revert back to Waterways. This would be a good reason to implement launch fees so that the boaters are helping to contribute towards this work versus the general taxpayers if the Commission wanted to consider that option.

Final Decision: Proposed funding and completion in Fiscal Year 12/13.

33. Reduce the EDC Appropriation from \$100,000 to \$80,000

Attached is a report from Kristen Claus on the various funding accounts for the EDC for review. As indicated, both the Essex Fund and the Contingency Fund have been utilized for either start-up dollars or for projects such as the R&B Electronics project as a revolving loan fund. It does make some sense to have these funds available in the event that worthwhile projects come by that can generate new jobs for the area.

Final Decision: Reduce EDC Appropriation from \$100,000.00 to \$80,000.00.

34. Paperless and/or Electronic Billing for Water Bills

Attached is a report from Kristin Collins indicating that for those customers wanting paperless water bills assuming 15% - 25% of the customers would be willing to accept an e-bill, the net cost for the City would be an additional \$2,300 for this service based on some numbers obtained from a company doing this work.

Final Decision: Not at this time

35. Increase Airport Hangar Fees to Cover Debt

The debt for the airport hangar fees is covered by the TIFA III budget. The hangar fees would need to be doubled in order to cover this debt. In 2009, a survey was conducted to bring the hangar fees on par with other airports of similar size within the area with the fees being raised \$420 per quarter. The Airport Board will do another survey to determine whether rent increases are advisable for the hangar facilities.

Final Decision: The Airport Board will do another survey to determine whether rent increases are advisable for the hangar facilities

36. Concession Stand at Sherman Park

The concession stand at Sherman Park has not been rented in eight years. The Community Services Board thought that the minimum bid of \$350 may be limiting that action. They suggested requiring the vendor to get a peddler's license from the City Clerk's Office and have the vendor provide 10% of their revenues to the City as a replacement to this minimum bid. Since the City has not had a bid for this service in over eight years, this may be worth a try.

Final Decision: Leave as recommended by the City Manager

37. Boat Launch Fees

Attached is information that Parks & Recreation Director Dan Wyers collected regarding boat launch fees. Rogers City collects \$11,000 a year while the City of Marquette collects just under \$20,000 a year between seasonal and daily rates. It appears that the going rate is \$5.00 for a daily launch fee and \$50 for a seasonal launch fee with an additional \$72,000 in General Fund money needed to dredge Ashmun Bay for boat launching facilities as well as repair and maintenance work on our other launch facilities, this may be a good time to consider implementing a boat launch fee.

Final Decision: Implement Boat Launch Fee Including Use of Fish Cleaning Station - \$5 Daily and \$50 Seasonal.

38. Correction on Sprinkler Fee Increase Revenue

Kristin Collins has adjusted the sprinkler fee increase in revenue to increase these rates at the same rate the water rates were increased. This provides \$4,600 more in revenue than the original budget provided.

Final Decision: Correction

39. Citizen Survey

The last citizen survey cost the City about \$6,300, which was done by Lake Superior State University. This has provided the City with significant information about the wants and desires of the residents. City Manager Nebel believes it may be appropriate to wait until next year before the City's conduct the next citizen survey.

Final Decision: Not at this time

40. Correction on Pullar Parking Lot Reconstruction

There was an error in a number carried over for the Pullar Parking Lot Reconstruction. This item will acknowledge and correct that error.

Final Decision: Correction

41. Charge for the Farmers Market

In reviewing various Farmers Markets, it seems split with half of the Farmers Markets implementing some sort of fees and the other half not. The common fee is \$10 per day or \$50 for the season. City Manager Nebel would not recommend implementing this fee for this year, since the City is moving the Farmers Market to Dr. Ganzhorn's lot due to the reconstruction of Portage Avenue. It may be something worth considering for the 2012 Farmers Market season.

Final Decision: No charge for Fiscal Year 2011/2012

42. Through 49. Various New Fees

Items 42 through 49 are various new fees that Chief Riley is recommending the Commission consider appropriating as part of the Fee Schedule. These are fees that are commonly assessed in southeast Michigan for various services.

Final Decision: Implement various fees as outlined.

50. Correction on DDA Wages

There is an \$800 correction on the DDA wage line in the DDA budget that we are recommending the Commission acknowledge.

Final Decision: Correct DDA Wages as outlined by the City Manager.

Moved by Commissioner Munsell, supported by Commissioner Burton

That the Commission formally propose for public hearing the budget as modified for the May 9, 2011 City Commission meeting at 7:00 p.m. including the Operations Budget, Capital Outlay, Equipment Purchases, Fee Schedule, Water & Sewer Rates, tax millages, and all other components of the budget as outlined in the budget documents.

Carried: Yeas: Mayor Bosbous, Commissioner Bauer, Burton, Gerrie, Lynn,
 Munsell, and Stefanski
 Nays: None

MATTERS PRESENTED BY THE CITY COMMISSION:

Commissioner Gerrie expressed concerns with overtime compensation.

Commission Gerrie felt Department Heads should include overtime in their monthly reports with justification, overtime should be approved by the Department Head, schedules should be adjusted to reduce overtime, and Department Heads should cover for staff when overtime is necessary.

Commissioner Bauer inquired upon approval of the marijuana ordinance if a surcharge could be accessed to help fund the SANE position. City Attorney Cannello responded to Commissioner Bauer's question.

Commissioner Stefanski also expressed concerns with overtime compensation. Commissioner Stefanski indicated that there should be a NO overtime policy, payment should be made in comp. time, and overtime should be based on the week not the day.

Commissioner Munsell indicated that the City has 10% fewer employees than 10-12 years ago. Commission Munsell also indicated that the knowledge base of our employees are greater today. Commissioner Munsell also indicated that City employees are the closest to the action and that their suggestions and/or recommendations should be taken into consideration.

MATTERS PRESENTED BY THE PUBLIC:

Brandon Zajac, citizen inquired why water bills are not done on every two months or quarterly versus monthly. Mr. Zajac also indicated that there may be a constitutional issue with the implementation of a fire arms registration fee.

Moved by Commission Lynn, supported by Commissioner Stefanski

That the meeting adjourn at 9:15 p.m.

Motion carried unanimously.

ANTHONY G. BOSBOUS, MAYOR ROBIN R. TROYER, CITY CLERK