

VILLAGE OF ELBERTA BOARD OF TRUSTEES
REGULAR MEETING
—Minutes—
August 28, 2014 • 7 PM

The Village of Elberta Board of Trustees held a special budget workshop meeting on Thursday, August 28, 2014, at the Community Building, 401 First Street, Elberta, Michigan, to deal with the deficit elimination plan shortfall.

The meeting was called to order by president pro tempore Robin Rommell at 7:03 p.m.

Recitation of Pledge of Allegiance

Present: Joyce Gatrell, Ken Holmes, Diane Jenks, Robin Rommell

Absent: Reggie Manville (leave of absence), Linda Manville (resigned)

Public: Mary Kalbach, Ken Bonney, Roxanne Nicholas (State Dept Treasury), Chris Olson, Emily Votruba, Ron and Francine McPherson, two other members of public

AGENDA 1: VILLAGE FINANCIAL SITUATION

Rommell said the Village had added twice as much to its deficit through 2014 than expected, and the DEP is no longer workable (i.e., we are way off schedule). The deficit began to accrue about 20 years ago. The Village went from a \$150,000 excess in its general fund to over \$800,000 in deficit, and is now at \$672K deficit. (Council had a sheet showing a history of the deficit.) Halfway through this fiscal year, it's time to take stock and look at other options. Public comment welcome at any time during this meeting. Council was first put on notice by the State regarding deficit in 2010/11. After this year's audit we learned we had added \$113K to the deficit.

Chris Olson described the usual budget process: Council adopts a budget by fund, then staff fill in the line items. This year, however, these line items were not filled in and amendments not made because of staff turnover. Accurate budget was not available. Legal expenses were greater than anticipated. An additional \$45K legal bill came in after the fiscal year ended. Department 441, the Garage, the hours had not been distributed through the funds and so were charged to the General Fund at \$14K higher than expected. The Fire/Safety expense was about \$2K higher than expected. General Fund revenues were \$5K lower than expected. Close to \$114K was added to the deficit, bringing the total to \$672K. Village will not realize the savings it had intended for this year. If everything otherwise goes according to plan, at the end of FY 2018/19 Village will still be in deficit of about \$127K if no further steps are taken to increase revenues or decrease expenditures. Village pays about \$3K quarterly for the fire contract. Why has Fire Dept expense gone from \$16K to \$18K? There may be items being charged to that line item that are not known. The Waste Collection Day—you weren't going to have one and then you did. Was there offsetting revenue that covered that expense? Hopefully the legal expenses related to zoning appeals and the lawsuit are over.

A 1 mil. tax levy would bring in about \$8600. If you did a 3 mil increase for five years you could overcome the \$127K. Would voters approve it? Is it even legally possible?

Further reductions in services may be required. Look into fixed cost contracts. As it is, there are no projects to cut, no equipment to cut. Almost no place but cutting people. **Rommell:** Neal [auditor] said we are in worse shape now than a year ago. He said we should make a list of what we're legally obligated to do and do that minimum.

Member of public: When was the last tax increase?

Ken Holmes: Hasn't been a tax increase for the General Fund for years and years.

Ron McPherson: I don't see a lot of frills, I don't see a lot of employees. I live on Crapo Street; no one has done anything to that street since I was a child. Wondering why Village property hasn't gone on the market yet.

Rommell: Veterans Park, Anderson Park contain pump houses for the water system, requires a isolation distance of 100 feet and that leaves a nonbuildable lot.

McPherson: Seems the two most valuable/marketable properties are the Waterfront Park and the Farmers' Market Park. Do LSS and the Farmers' Market Park return a profit?

Rommell: Revenues from LSS pretty much pay for park maintenance for all parks in the village. We are already planning to sell the Farmers' Market Park as part of our deficit elimination plan

Chris Olson: Several of the property appraisals did not take into account the water system features that need setbacks around them. The Library appraised at \$60K and will be sold this year according to the plan. The Farmers' Market Park is expected to sell for \$180K next year. Those two pieces account for about 40% of the entire deficit elimination plan.

Holmes/Jenks: LSS is a historic property, any buyer would have to follow the preservation rules. We got an MDOT grant for the property/LSS and therefore it can't change hands for 50 years.

Ken Holmes: The community building was built and the smart people on the council at that time made sure we upgraded the water system while we had the money. Very little area in the Village that isn't considered into the water table.

Olson: Grant funds, if not used for the specific purpose, have to be paid back.

Rommell: When we filed our DEP the State asked what if the Library and Farmers' Market Park don't sell? And we don't have a plan B. Also, legally, anything designated a park requires a vote of the people. We can continue down this road, adding \$50K-\$70K to the deficit each year until the State appoints an emergency manager to make the hard

choices. Or we look at disincorporating and becoming part of Frankfort or Gilmore. There has to be an in between. (Explains that the general fund deficit is different from debt; "we owe ourselves.")

Jenks: Just got the library survey back within in the past two weeks, so paperwork is finalized to put the Library on the market.

Rommell: Gilmore Township has been looking at a grant to purchase the Library for township use. Mel Buechner's (sp?) garage used to be there so they need a DEQ assessment.

Holmes: "We're in trouble. But why would the state want anything to do with a village that's \$500K in debt when there are communities all over the state that owe millions and millions? Give me a break."

Roxanne Nicholas: State is taking Village's situation seriously but trying to give the Village leeway to control its own destiny.

Olson: Dept of Treasury can't ignore the will of the legislature. You've already had two deficit reduction plans rejected. The current plan is under consideration but they want a plan B in case you can't sell the properties. With the latest operational losses... The State pays for the emergency manager. The state can force you into a consent agreement. (Gives examples of communities where that happened: Ecorse, Hamtramck, Pontiac.) The state still has to do what's required if that's what the numbers show. Your General Fund budget is about \$200K and you have close to a \$700K deficit. There's not going to be any ignoring of this situation—not based on the conversations I've had.

Holmes: "It cost us several thousand dollars to hire you, and our attorneys cost us a lot of thousand dollars, and so far it hasn't helped one damn bit."

Olson: "My advice hasn't been followed."

Holmes: "I have followed what you've been doing, I have followed the costs, and the cost when we started out, you were going to figure out a way—you were—to balance that budget."

Olson: "You contracted me for a five-year deficit elimination plan which I had to produce in 10 business days, and a corrective action plan based on 13 to 15 material weaknesses in internal control, which I had about 20 days to do, plus the follow-up policies. I've basically been working for free for the Village since March. You have not received my last bill. You still owe me \$1900, based on a cap. I put a cap on the fee. I grew up only 12 miles from here. This is almost a home town rescue effort for me."

Holmes: "I followed your background over the last five years."

Wilkins asks to move on.

Emily Votruba: Had met with the descendants of Nels and Polla Bye at their request (and invited council members to attend that meeting). Did anyone on council follow up with Chris Sullivan on the possibility of the Grand Traverse Regional Land Conservancy purchasing and protecting the Village's Beach property? To avoid that property being sold by an emergency manager, be a source of revenue, and take that expense off the rolls.

Rommell: Agrees. Benton Harbor: first thing emergency manager did was sell off the waterfront property. Possibly to Rick Snyder's golf buddies.

Votruba: "You kind of get that impression. What would be the incentive for someone to come in and take us over, otherwise?"

Rommell: If we were located where Honor is located I would be less concerned. Nothing is off the table with an emergency manager.

Votruba: Sullivan said he had contacted Reggie and Diane (almost a year ago) and was willing to discuss what would be necessary to make an arrangement like that but hadn't heard back. He's a good guy, he coordinated the transfer of EDNA (Elberta Dunes South Natural Area) back to the Village. His mission is to protect lands for public use.

Rommell: I think that's definitely something we should follow up on.

Wilkins asked who would follow up and **Rommell** volunteered.

Olson at Rommell's invitation went through some suggestions he had earlier sent by email. Save money in General Fund by moving labor expenses, materials, supplies, to the Major and Local Streets funds. December, January and February labor is \$3000, this could be put in streets. Street funds are in good shape.

Ken Bonney: Went to the Act 51 meeting. Under their rules, I have to spend a certain amt of Act 51 money on walkways. Last year we were \$500 short. Need to spend \$4,000 on walkways per year or lose the money. The garage and all the expenses can go under Act 51. Most equipment, including lawn mower, is owned by Streets funds. The state figures fuel and operation of the equipment under the equipment expense, so that means the power and the whole nine yards for the shop could go under Streets, then the General fund would pay something to rent the office space in that building.

Olson: Right now the equipment is owned by the General fund and the other funds rent it. It amounts to a revenue stream for the General Fund. The council, clerk, treasurer, and the village hall expenses are expensed out to the other funds. It's now costing \$45K to pay for council's time, clerk and treasurer, and the office. For nonmotorized expenses. I don't think you can use Act 51 on the garage.

Bonney: The garage houses and is the repair shop for all the equipment to work on the streets. According to what I learned at the Act 51 meeting you can pay the light bill out of Act 51 and everything. I made a point of asking. Most of our equipment was purchased with Street money.

Olson: General fund should have only a small portion of the personnel expenses. Anything you can do to charge out expenses to other funds. Go through and see what can be moved.

Rommell: Ken, this Dept 441-Garage could be incorporated into major and local streets and do a garage fund within each of those? Because then you could use Act 51 money for repairs, maintenance, utilities, etc.?

Bonney: Yes. Streets owns most of the equipment. When I'm work on Streets equipment, it should be billed to Streets. If I'm mowing the parks, it already gets billed to the right fund. If I use the DuMore on the water, for example, the water should pay back Streets. The State has a book that says how much, with fuel, the equipment should be "rented" for.

Rommell: And that would take \$5K of debt out of the general fund.

Olson: If those expenses are done that way and if the Streets fund owns the equipment, not the General Fund, based on that Act 51 equipment rental rate sheet, that has up to now been used as an internal revenue source. This year it's worth about \$20K in revenue to the General Fund.

Rommell: So if you take 441 Garage out of the General Fund then you take the equipment charges out of the General Fund, and the General fund actually loses money—we lose \$20K in revenue in exchange for a \$5K expense reduction.

Olson: Also consider that if any equipment needs to be replaced, you have no funding for that. It would have to come out of Streets, sewer, etc.

Bonney: Does street lighting come out of the General Fund? Dept 448 for \$15K. That should come out of the Streets.

Olson: That's not a legitimate Act 51 expense because it's purely optional to have street lighting in the neighborhoods. It's a perk. Do you want to continue it? You're paying a rental rate to your utility \$30/month for every one of those lights.

Nicholas: Could there be a direct assessment/charge to residents for street lighting?

Bonney: Will call instructor from Act 51 class and find out if street lighting is covered. But all the utilities in the office could come out of the street.

Rommell: All the utilities now get split 50/50. Half to the office dept, and have to the Garage Dept.

Bonney: Have the office rent the phones and utilities for \$1,000/year.

Jenks: Is the Village still paying 50% utilities for the Library building? because we shouldn't be paying anything for that now.

Bonney: All the bills for that still come to the Village.

Discussion as to whether the Village has been billing the Township for Library expenses. Unclear. Township rents building for \$1500/yr. Agreement needs to be altered.

McPherson: Can you amend previous years?

Olson: Once the audit's done, no.

Bonney: If you look at these funds as separate businesses, the General fund is the one going bankrupt.

Council members, attorneys, planning and zoning, street lighting, Community Building, office, fire department, all come out of General Fund. Fire and Rescue millage will hopefully be voted in on the November ballot and that will cover that whole expense for the Village.

Rommell: Has a revised time sheet that allocates time spent on different funds. Employee Relations will consider it. With new hours (from 32 to 16) we don't know what portion yet to allocate where.

Olson: Could BLUA take over the billing for water/sewer?

Rommell: Laura Manville said once you get the process down it should only take a couple of hours a month, so it's not worth contracting it out.

Nicholas: Has there been any discussion with Frankfort of contracting any services with them?

Holmes: Nope.

Bonney: Frankfort's seasonal guy makes \$5/hr more than I do, so that wouldn't save any money.

Rommell: That's just your hourly rate. Maybe we contract for less coverage.

Holmes: It took us 25 years to establish BLUA. Frankfort and Elberta never see eye to eye on anything.

Olson: Water and sewer aren't statutory duties, it's something the Village chose to do. If you can free up your time for higher level functions...

Mary Kalbach: It couldn't hurt to ask Frankfort what they would charge.

Rommell: We should look at something new. What we've been doing isn't working. We should explore more options. We talked about contracting park maintenance, but we didn't do anything about it. Right now we're paying \$30/week.

Olson: Plus you've got all your equipment, fueling it, insuring it...

Bonney: The contractor would have to have all that equipment and pay minimum wage (for it to save us money) and you're not going to get anybody to contract for minimum wage.

Jenks: Probably not but we need to have numbers to show the state that we tried.

Bonney said he would get figures for yearly bid.

Olson: Depends how short and often you want to mow. Might consider doing less, to cut costs. At what point will you need to replace equipment? That might also make it worth it to contract

Votruba: On mowing, something very dear to my heart, if you raise the mower to three inches or higher you save a lot of water, time, and money at the Waterfront Park. Longer grass requires less water. If we cut back the area that's mowed even just a couple of feet, that could save a lot of money. What is really important to be short, and are there areas that could be left unmowed?

Rommell: Right now we're mowing a ball field and games are over. Eric (from State) has said several times we need to look into all possible contract opportunities.

Bonney will look for plowing bids. Would have to be properly insured according to Act 51.

Wilkins: Could we sell our plow truck?

Bonney: Only for about \$3,000.

Member of public: Who collects the fines for ordinance violations? That's a type of revenue.

Bonney: We don't get the money if we write a ticket. Any tickets I write, the money goes to the County building and to a library fund. Doesn't matter what ordinance.

And General Fund pays Ken's time to do enforce ordinances.

Member of public: Is that why ordinances aren't being followed in the Village?

Bonney: You can't not mow the Village stuff and expect people to mow their stuff. I do everything at 2 ¾ inches.

Mary is asked to check on water/sewer and other contracting opportunities.

Jenks asks Bonney to check with Act 51 or county specs for plowing. Olson says Villages/Cities have the advantage of letting snow go a little longer. County has to "chase snowflakes." Should look at comparably sized communities. Contractor should have all the necessary liability coverage. Bonney says most stores plow to one inch for insurance purposes. Plowing should be done between 2 am and 6 am.

Nicholas: Can payroll be contracted?

Votruba: What about tax processing?

Rommell: The county prints our tax bills. We just pick them up and mail them. Already in the envelopes.

Votruba: Is that the way it always was?

Holmes: Always.

Rommell: We get a printout of what the taxes were for each property each year or we can download the info to our records. The county charges us \approx \$600 for that, and that's without postage.

Bonney: Why not bid out all the work on the water system? Billing, sampling...

Wilkins: Didn't we already do that?

Bonney: That was just for backup operator.

Olson: Need to find a very conscientious company.

Bonney: Can't hire Frankfort to take care of our water system. Have to have at least one full-time person here. DEQ won't allow it. You can contract it, but you have to have a dedicated person, on call 24/7.

Jenks: I appreciate knowing that when I have to go to work my road is going to be plowed.

Nicholas: Is a millage under consideration?

Rommell: I don't know where we are legally. I think we're almost maxed with our millage.

Jenks: Should focus on the fire millage this time.

Rommell: We have addressed the deficit in the water fund with our rate increase on ready to serve and per 1K gallons.

Olson: I need a copy of that to incorporate into the plan. The Parks plan did well last year, it was less overbudget than anticipated. Still some accounting to be done with Solstice. But has always looked pretty good.

Rommell: Solstice costs the Village money though.

Wilkins: How?

Rommell: Solstice and Farmers' Market get all of their admin free. They pay nothing for Mary's time and Sheila's time. A couple weeks ago I spent three hours straightening out Farmers' Market stuff. Postage for mailings to vendors, the bank deposits, etc. The big thing for Solstice is loss of rental revenue for that whole weekend. Costing the village \$5,000 before it does anything.

Holmes: It should only be one day.

Wilkins: If we had more volunteers helping clean up instead of parking at the top of the hill and watching people clean up, it would go faster.

Jenks: It's an opportunity to show off that building and the whole area.

Kalbach: It brings people to our town.

Wilkins: It's not \$5,000 down the drain because Solstice makes that. When I started on Solstice committee 4 years ago, funds in the Parks and Rec and Solstice accounts were \$9K. Now we're at \$21K. That to me says we've made money for the parks.

Discussion of Solstice possibly renting the LSS at a reduced rate.

Bonney: We could have fewer garbage cans to save money. We need to cut down on the General, but when I bring ideas in, like when I suggested not putting out the boardwalk to save money, I got calls threatening to be sued.

Rommell: I would guess that as many people use that beach walk to the pier each summer as come to the Solstice Festival.

Bonney: You know that at the base of that pier there's a big yellow sign that says "Not for Public Use"? You want to talk liability? Why would the Village put a trail down to something that's not designed for public use?

Holmes: We need to add revenue.

Votruba: 2010 I think, that council had on the ballot a repeal of the Headlee Amendment, and it failed. Our tax rate I've heard is the highest of any village in the county. What's the feasibility of trying a Headlee repeal again? Maybe with an education campaign it might pass.

Olson: The Village can provide information but can't use tax dollars to promote either side of an issue. What would the return be? A mil, 2/10th of a mil. Might not be worth it. What is the buzz on the fire millage, will it work? Does each unit have to approve it or is it the majority overall? The fire millage, if it passes, will be cover half of what you have to recover for the DEP to be on track.

Jenks: This is just for Gilmore and Elberta. Frankfort has nothing to do with the vote. They're going for a millage too, on their own.

Olson: Where is the township collecting its funds? Why doesn't Township pay for the whole fire service?

Rommell: Elberta used to have its own fire department. That was eliminated and we contracted with Frankfort. The Township has its own contract with Frankfort. People in the Village won't get double billed with this new millage.

Olson: But if the Village and the Township both pay out of the General Fund, effectively the Village is paying twice.

Jenks: Gilmore contracts with Frankfort and their contract is similar to ours and Elberta contracts separately, so my question is, how is that 1.5 mil going to help us, when it's never helped us in the past?

Olson: You shouldn't have a contract anymore.

Holmes you won't have a contract now because this is a fire millage. Period.

Jenks: The Village won't get a bill from Frankfort anymore?

Holmes: No.

Discussion of why the fire budget is over by about \$4K. Nicholas asks if an extra quarter was paid for. Rommell says more likely a bill was paid late. We paid five instead of four.

Discussion of labor expense in the Garage, what's realistic for winter.

Olson: for winter plowing last year for every dollar you spent on labor you spent \$3.50 on equipment. That doesn't seem right because there would have been more overtime in winter. The last quarter probably got missed. If you used that much equipment and that much fuel, somebody was driving, so get some of that labor out of the general fund and into Streets

Bonney: will go back and look at the calendar and give Mary info.

Discussion of explaining cuts to services to residents. Rommell asked Bonney if the brush she's seen him and Doug hauling is stuff they've cut or they're picking it up for people. Bonney says they're picking it up. "That's an expense you probably don't need." Holmes: if you don't pick it up it piles up. Rommell: That's the kind of expense we need to eliminate. Bonney: the brush also comes underneath streets. doesn't come out of general fund. Holmes mentions his own trees and that if no one came and picked up his brush it would stay there forever.

Olson: Could you cut street lighting?

Several people: We need it.

Olson: Try to renegotiate rate with power company.

Last winter was the first time Bonney shut off lights in Park in off season. This will continue to be a savings.

McPherson: Benches in Waterfront Park are falling apart, there's vandalism

Wilkins: Parks and Rec is looking into fixing benches. At one point we had decided a percentage of LSS revenue was going to be earmarked for park repairs because if it keeps going down no one's going to want to rent it

Bonney: Every building the village owns needs work.

Rommell: in our five year plan there's no provision for maintenance and improvements

Olson: Are legal expenses expected to go down significantly?

Jenks: If everybody behaves themselves.

Olson: Any other major planning and zoning in the works? Linda (Manville) had mentioned working with Lakes to Land Regional Initiative. Developer (Putney) didn't ask for monetary damages and therefore you weren't covered by your insurance and had to pay those costs. Consider finding a different carrier or a rider that covers costs in those cases

Jenks: there's money available through Lakes to Land for zoning.

Olson: if you decide to make zoning changes to better conform to your master plan that might involve regulations and some people may object to those and want to follow the old laws. (i.e., potential litigation)

Holmes: one house has sold finally and a couple more have been built. I truly feel we need to get a hold of the developer (Elberta Land Holding Company) and ask what they're going to do down there

Bonney: They owe the village a lot of money (taxes, fines and water/sewer bills)

Olson: and if they don't pay you might end up with the property. Is that something you want?

(Resounding yeses and an offer from audience to buy a portion of it) At a certain point the county

buys the delinquent tax bills. You've got two years to pay your property tax bills. Village or the township get the revenue so they can continue operations.

Someone: Waterfront Park is the only place we have for increasing the tax base.

Olson: if the fire millage goes you'll have 15K a year in savings for the next four years, streetlights renegotiated or cut should share in savings if they've been made more energy efficient, get LSS rental revenue for the third weekend in June (Solstice).

Discussion of vandalism to lights in the Waterfront Park, vandalism to fence around Roundhouse, liability issue with people going into Roundhouse area to take pictures.

Agenda for September 18 Council Meeting: Should be some communication with Chris Sullivan. Coordinate street funds. Move forward with library sale. Look at contract with township to get rid of our utility payment. Mary talk to Consumers about lower rate for street lighting. Ken to get bids for contracting mowing, plowing, water, sewer. September 18 have bids.

Member of public: Why waste money looking into other people? That guy right there (Ken Bonney) is cheaper than anyone you could hire to do that with the right qualifications.

Probably, but need to document that and show the State.

Wilkins: Maybe council members should help Ken so it doesn't take him a lot of time.

Jenks says she'll help Ken with bids once he gets specs worked out.

More discussion of contracting out, whether we need system upgrades. Holmes: no one has a modern computerized water reading system like ours. If another community did it, they'd need to buy the program we use. Nicholas suggested there might be workarounds for that.

Bonney: What's happening with the billing is that when they bought the program they didn't pay for the backup service. So when Laura's computer got upgraded to the new Windows, they would have had to buy a new program for up to \$10K because it's incompatible. So now they transfer it to the old computer which sits there just for that. It's not a problem. For 8 or 10K somebody can walk across that office a lot of times.

Rommell: We are going to add to the debt this year if we don't do something different.

McPherson: Negotiate with the State for more time?

Nicholas: five years is already a long time.

Jenks: They've been very patient

Francine McPherson: What about different insurance?

Rommell: We did get rid of benefits, paid holidays, etc. We have a good rate on insurance through the Michigan Municipal League.

Kalbach: Need to find ways to make money.

Nicholas: What about charging for parking?

Jenks: Checked out the Empire paid parking. Machine was full and they also had donation buckets. Doesn't seem to take many man hours. We could do donation buckets around the village.

Discussion of boat launch (Farmers' Market Park) honor system donation box. **Holmes:** every time we put a donation can down there it was gone the next day or there was nothing in it.

Votruba: Paid parking at the beach is worth looking. A park pass system that's scannable, like an EZ Pass might be cheap to run.

Motion by Holmes, seconded by Jenks, to adjourn the meeting, at 9:38 pm. All ayes. Meeting adjourned.

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Emily Votruba compiled these minutes and submitted them to Elberta Village clerk Mary Kalbach. The draft minutes were approved with no changes at the December 18, 2014, regular meeting.

Elberta Village Clerk

_____(date)

SYNOPSIS

VILLAGE OF ELBERTA SYNOPSIS WORKSHOP MEETING August 28, 2014

Meeting called to order at 7:03 pm by President Pro Tempore Robin Rommell. Pledge of Allegiance. Present: Joyce Gatrell, Ken Holmes, Diane Jenks, Jennifer Wilkins, Robin Rommell. Absent: Reggie Manville (leave of absence), Linda Manville. **Ag 1:** Village Financial Situation. Council and public heard consultant Christopher Olson's proposed revision of the Deficit Elimination Plan. Revision was necessary because Village had added twice as much as expected to its deficit through 2014. **Adjournment:** Motion by Holmes, seconded by Jenks, to adjourn meeting. All ayes. Motion passed at 9:38 pm. Complete minutes of these proceedings are available for inspection in the Village Office, 151 Pearson Street, Elberta, MI and at villageofelberta.com/about-us/village-government/meeting-minutes/ Submitted by Emily Votruba to the Record-Patriot January 11, 2015.