

Budget Meeting #2 Council Discusses Principles & Internal Funds

(Crystal A. Proxmire, 3/312011)

Ferndale City Council met March 30, 2011 to move forward with the City budget for 2012 and 2013. They must finalize and approve the budget in May, per the City Charter. And according to State law they must pass a balanced budget, which is a challenge given the drastic decreases in revenue the City is facing due to less revenue sharing from the State and less property tax revenue. An election on May 3 will determine if residents are willing to accept a temporary property tax increase to support City services. If Proposal A passes, the shortage will be \$700,000 in 2012 and \$600,000 in 2013. If Proposal B fails, the City must address a \$2,300,000 (\$2.3 million) shortage. Read about the first budget meeting at – <http://oaklandcounty115.com/2011/03/24/the-budget-meetings-have-begun>.

BUDGET DECISION PRINCIPLES

The March 30 meeting began with Councilperson Melanie Piana presenting “Budget Decision Principles & Expectations” to help guide them as they wrestle with numbers. Piana lamented that because of recent leadership changes ([new Mayor](#), [new City Manager](#)) Council did not have time to meet and come up with a vision for the process.

 “My goal is not to seek approval of these principles, but to create an ongoing dialogue about our purpose,” Piana said. “The information included here is intended as a

statement of priorities and principles against which decisions on the allocation of resources can be reviewed. “In addition to strategic planning, developing these guidelines is undertaken in order to maintain the city’s current fiscal standing, strong bond rating and to avoid moving up the State’s Fiscal Distress Index by controlling those items within our ability to do so. It is also the intent to address as many of the Governor’s points to capture as much funding as possible under the Economic Vitality incentive Program – rewarding cities that demonstrate collaboration with revenue sharing.”

The Budget Decision Guidelines were not formally adopted. Rather, they were discussed and Council generally agreed to review them and consider formal adoption at a future meeting. The Guidelines included transparency in process, fairness in “shared sacrifice,” data-driven decision-making, cooperation and seeking out opportunities to invest in the future and look for practices that will provide economic incentives.

PROCESS



After the first budget meeting, Wollenwebber sent memos to Department Heads instructing them to provide ideas for cutting 15% from their budgets, and also to prepare a Power Point presentation about those suggestions and how they will affect their Departments. Department Heads have been given time to prepare these, and in the meantime Council took the time to look at some of the Internal Service Funds.

“I hope the departments will come to us with structural

changes, not just one-time savings that kick-the can down the line to next year,” said Mayor Dave Coulter, who was concerned that cutting a program like sidewalk replacement, which was used as an example, would not provide long-term savings because it is a cost that is inevitable.

Councilperson Scott Galloway reminded Interim City Manager Mark Wollenwebber that the City should be looking into alternative plans, such as the cost of having Oakland County take over policing.

INTERNAL SERVICE FUNDS A & B

A. FRINGE BENEFIT POOL



With the exception of employees of the 43rd District Court, the DDA (Downtown Development Association), and the Library District, each department with personnel is charge for fringe benefits on an equal basis, which is calculated at 13% for part time wages and 20% for overtime wages. “We pool our fringe benefits and distribute them along employee lines. We have a claims-based system rather than a premium-based system,” explained Assistant City Manager Jane Marie Eubanks. This fund is expected to cost slightly more because it goes up each year, and because there are fewer employees contributing to the pool. In negotiations The City is asking its unionized employees to contribute slightly more to keep this cost down.

Fringe benefits include medical coverage, prescriptions, sick days, meals, uniform cleaning, holiday pay, life insurance and

other fringe benefits. One way that City leaders are considering saving money is by encouraging employees and retirees to choose generics instead of name-brand drugs. Piana mentioned that some cities offer incentive programs to encourage the switch, even offering to pay the copays on medications for the first six months of a switch. This suggestion isn't expected to be part of the final project, only a cost-saving method to look at for the future.



B. WORKERS COMPENSATION FUND

The Workers Compensation Fund covers costs associated with Workers Compensation Benefits, including unemployment, pre employment exams and other costs. The City has been self-insured since 1977.

The fund should have a balance of \$350,000 in order to be prepared for a catastrophic claim, according to Jayne Marie Eubanks. However the balance has been closer to \$200,000. "So one claim against our balance would not cover one catastrophic claim if something happened, and it would have to come out of the general fund," Eubanks said. For budgeting purposes the City is expected to keep the low \$200,000 balance and hope they don't have to go into the General Fund, which would only happen in the event of a large claim.

PUBLIC IMPROVEMENT SPECIAL REVENUE FUND



The Public Improvement Special Fund was established in 1947 and it allows the City to set aside money for improving or acquiring public buildings. The City has a list of improvements that it would like to make by 2015, should funding become available. The wishlist of improvements covers all departments, with their requests put into this one fund, whereas in the past Department Heads would either fund improvements through their own budget or request it from the General Fund.

While small on a department level, the total requested for 2012 is \$301,180, which would leave the fund with a balance of \$1,176,551. About half of the fund balance came from the court with the intention of building a new courthouse, although the city can use the funds for any public improvement project. \$961,080 would be the amount remaining set aside for the court. Projects include retrofitting the HVAC system at the Court, Police Department, and City Hall, replacing police equipment, replacing bullet-proof glass in police station, and records storage for the Court.

GENERAL OBLIGATION BOND DEBT SERVICE FUND



The General Obligation Bond Fund ensures that previous bond-funded projects are paid off by collected taxes.

The City currently has an A+ bond rating. The bonds in this fund all fall off by 2016. According to the budget description

“Debt service for the General Obligation bonds for 2012 require Principal payments of \$2,975,000 and Interest payments of \$693,000 – a total debt service liability of \$3,667,000. A tax levy of 6.78 mills on an approximate Taxable Value of \$543,000,000 would be an adequate amount to service the debt payments for 2013.” The total debt for these three bonds, including anticipated interest, is \$17,585,600.

NEXT WEDNESDAY

Next Wednesday in another public meeting, Council will hear presentations from Department Heads about their requested budget. Each Department has been tasked with presenting a budget that is 15% smaller than last year. The meeting begins at 6pm at City Hall. For more information about the City Budget and the process by which it is adopted, go to the City of Ferndale website at <http://www.ferndale-mi.com/>.

For previous articles on the City’s financial situation, go to our Politics and Government Section at <http://oaklandcounty115.com/category/politics/>.