

CITY OF DETROIT FINANCIAL ADVISORY BOARD

APRIL 8, 2013 - 2:00 P.M.
MINUTES

Members Present:

Sandy Pierce
Kenneth Whipple
Eddie Munson

Glenda Price
W. Howard Morris
Mary Beth Kuderik

Darrell Burks
Ronald E. Goldsberry

Members Absent: Robert Bowman

I. CALL TO ORDER

Mr. Whipple called the meeting to order at 2:00 P.M. Seven Financial Advisory Board members were present, a quorum.

Roll Call – Eddie Munson, Ronald Goldsberry, Darrell Burks, Kenneth Whipple, Glenda Price, Mary Beth Kuderik and Howard Morris.

Members Absent: Robert Bowman

By motion made and supported, the Board unanimously voted 7-0 to approve today's agenda.

II. APPROVAL OF BOARD MEETING MINUTES

By motion made and supported, the Board unanimously voted 7-0 (via roll call vote) to approve the March 11, 2013, regular Board meeting minutes.

FAB Chair Sandy Pierce arrived at 2:05 P.M.

III. PRESENTATIONS: CITY OF DETROIT

A. CASH AND FINANCIAL UPDATES: Presented by Jack Martin

Jack Martin presented the cash and financial updates for the city of Detroit. Mr. Munson requested the City provide information on other revenue sources that have been identified but not yet disclosed to FAB. Mr. Munson also requested for FAB to be apprised of any cash shortages between now and fiscal year-end on an ongoing basis rather than waiting for a FAB meeting.

Mr. Burks requested once again for the actual versus budget report every month. He wants FAB to be apprised of forecast, budget, and actual variances on an ongoing basis, and the reason for those variances rather than waiting for a FAB meeting.

Mr. Goldsberry questioned the escrow fund payment from April from the State which has not yet been received. Mr. Morris requested that FAB be forwarded meeting materials on the Wednesday prior to a FAB meeting rather than the current process. Chair Pierce noted that within the Administration's structural changes, the projected dollars are not coming in as expected, which could create a negative cash position by fiscal year-end.

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B. CITY BUDGET DEPARTMENT: Presented by Brent Hertzelt

Mr. Burks and Ms. Kuderik: Requested documentation to show details of key assumption which Mr. Martin will provide.

Mr. Martin: Explained that the draft of the actuary report for GRS indicates a more server problem than anticipated. Mr. Munson inquired about plans to improve income tax property tax collections. He furthered inquired about potential revenue.

Mr. Hertzelt stated the General Fund budget is \$1.151B and further stated that the 2014 budget is a decline of \$33M.

Chair Pierce: Stated, according to the Financial Stability Agreement the FAB is required to approve the Revenue Estimating Conference (REC). FAB members Morris, Burks, Munson, and Chair Pierce participated in the REC and collectively feel comfortable with the result of the revenue numbers with an understanding that the numbers are conservative; and also understand there are some initiatives the Administration could not with confidence put numbers to therefore, FAB did not conduct this portion but requested status of progress toward the initiatives. Chair Pierce also stated that the FAB is not required to approve the 2014 budget.

C. FINANCIAL ADVISORS UPDATE: Ernest & Young (E&Y) presentation by Dan Jerneycic

Mr. Goldsberry: Requested the status of the 10-year plan. Chair Pierce: Asked for all status reports. Mr. Burks suggested that in an effort to be a part of the process, each FAB member should be assigned to an advisor group to understand the process in real-time. Mr. Burks also requested to see the E&Y 12-month activity.

Mr. Munson: Asked if the following activities were part of E&Y scope of service:

- 1) Monitoring and forecasting as deliverable and training for City employees going forth. Answer: yes
- 2) Collection of taxes or cash collections? Answer: No
- 3) Timely deposits. Answer: Yes
- 4) What is the number of accounts and authorized signers and are we reducing the account balances to the absolute minimum. Answers: There are about 300 accounts and working on other aspects.
- 5) Reconciliation account process. Answer: No, not a part of E&Y.

D. OPERATIONAL RESTRUCTURING ADVISOR: Conway Mackenzie(CM), Presented by Chuck Moore

Chair Pierce: Inquired if the Administration officially sought assistance from the business community because some are waiting on job descriptions. Ms. Price asked regarding the CM report on the City Council recommendation, if the City Charter was researched for charter limitations? Mr. Moore answered yes. Chair Pierce requested that Mr. Moore provide the entire document that shows the detail benchmark report for City Council.

Mr. Moore informed the FAB that the Detroit City Council comparative cities were Nashville, TN; Cleveland, OH; Baltimore, MD; Pittsburg, PA and Charlotte, NC.

Chair Pierce stated that Mr. Orr wants an opportunity to review the FSA, all the initiatives under Annex B, and he also intends to ask the Financial Advisory Board to stay on. Mr. Moore informed Mr. Whipple that the City of New York Police Department was one of the model departments observed. Mr. Burks inquired as to when were there going to be some potential recommendations coming forth regarding restructuring debt-management.

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IV. BOARD ACTION AND/OR DISCUSSION ITEMS

- A. By motion made and supported, the board unanimously voted 7-0 (via roll call) to approve a motion to waive the requirement of a triennial budget for Fiscal Year 2014

Chair Pierce had to depart from the meeting.

FAB requested from the Administration the following items and presentation activity for next FAB meeting:

- B. To provide actual vs. forecast month by month; deliver before the next meeting and bring in at the meeting;
- C. Notify FAB as soon as possible of any changes in cash coming in;
- D. Have the City's presentation document for FAB sent earlier in the week on Wednesday, prior to each FAB meeting.
- E. Have Plante Moran's report on the tax collections; include what obstacles that are still in place as to why money is not coming in quicker;
- F. Provide report on the assumptions around the 2013 original budget; how does it compare to the 2014; the variances and the risk and opportunities that goes along with it;
- G. Have the panel of all advisors that have involvement with tax collections to report out;
- H. Have the Cash Conservation Committee to report out.

V. PUBLIC PARTICIPATION/COMMENTS

There were 5 individual who addressed the Board:

Valley Glenn Cecily McClellan
Mark Young City Council President Pro-Tem Gary Brown & Councilwoman Saunteel Jenkins (jointly)

VI. MOTION TO ADJOURN

There being no further business, and by motion and second, FAB Member Whipple adjourned the meeting at 4:14P.M.

Date Approved: _____