

CITY OF DETROIT FINANCIAL ADVISORY BOARD

JULY 8, 2013 - 2:00 P.M.
PROPOSED MINUTES

Members Present:

Sandy Pierce
Kenneth Whipple
Eddie Munson

Glenda Price
W. Howard Morris
Robert Bowman

Darrell Burks
Ronald E. Goldsberry

Members Absent: Mary Beth Kuderik

I. CALL TO ORDER

FAB Chair Pierce called the meeting to order at 2:00 P.M. Eight Financial Advisory Board members were present, a quorum.

Roll Call – Sandy Pierce, Kenneth Whipple, Eddie Munson, Glenda Price, W. Howard Morris, Darrell Burks, Ronald Goldsberry, Robert Bowman.

Members Excused: Mary Beth Kuderik

FAB Chair Pierce informed attendees, that the Financial Advisory Board (FAB) is meeting for the first time since April for reasons to allow the Emergency Manager Kevyn Orr the opportunity to complete the initial work needed. FAB Chair further reminded attendees that the FAB was commissioned under the Financial Stability Agreement which is now being amended with revised roles and responsibilities for the FAB going forward which will be discussed by Kevyn Orr today.

By motion made and supported, the Board unanimously voted 8-0 to approve today's agenda.

II. APPROVAL OF BOARD MEETING MINUTES

By motion made and supported, the Board unanimously voted 8-0 (via roll call vote) to approve the April 8, 2013, regular Board meeting minutes with one revision to be made in Section III, as noted on the record by Member Munson.

III. PRESENTATIONS:

A. FUTURE ROLE OF THE FINANCIAL ADVISORY BOARD

KEVYN ORR, EMERGENCY MANAGER (EM) FOR THE CITY OF DETROIT

Mr. Orr stated his position that in addition to that of the Governor and State Treasurer, the EM should have some level of responsibility and accountability on an operational level to the FAB. Mr. Orr further stated that the FAB will continue and the EM will report to the FAB. In addition, the items in the Annex B of the Consent Agreement are still needed and appropriated goals going forward.

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The FAB will continue via the Consent Agreement through the tenure of the EM and into the post-EM era. The FAB is current, necessary and important and will ensure that continuity and oversight once the EM is gone and the City is returned back to the elected officials.

B. AMENDED FSA AGREEMENT: Kevin Orr, EM

Mr. Whipple inquired whether the role of the FAB will change from advisory to something different after the transition period. Mr. Orr responded that the FAB's role will have some level of involved supervision. Mr. Munson inquired if there is existing enabling legislation and does it need to be developed? Orr responded saying yes that P.A. 436 speaks to the Governor's ability to appoint a 'Transitional Advisory Board' and it also speak to the EM requirement to put forth a two year budget which may need to be examined to see if there is a need for additional legislation and rules to enable that Board to maintain momentum for continued progress.

FAB Chair Pierce suggested that she work with Mr. Orr on behalf of the FAB and make FAB member assignments to work with the EM on Annex B and the EM's agenda. Mr. Orr further suggested to treat the operational restructuring report as a work-in-progress (WIP) and monitor for updates. Mr. Orr advised that under the amended FSA the FAB will be involved in the discussions and working group meetings in an effort to reflect a consensus approach.

C. FINANCIAL UPDATE:

PROPOSAL FOR CREDITORS EXECUTIVE SUMMARY: Kevin Orr and Gaurav Molhatra

Mr. Gaurav presented on the Executive Summary dated June 14, 2013. Mr. Munson inquired about the pre-audited numbers subject to change and asked if the range over 2 to 3 years have had any adjustments to liquidity. Mr. Gaurav answered no. FAB Chair Pierce inquired about the remaining amount from the bond refinancing proceeds from the State level and was told 70M was left. Mr. Orr explained that there are conditions on the 70M dollars. Mr. Burks expressed interest in the inconsistencies of the presentation and wanted to see from the last budget, how well we did against the target and asked to see total dollars compared to the prior year of what was presented to FAB and report performance.

Mr. Goldsberry inquired as to the counter measures of the 4M in net cash balance and how much is due to the cost-cutting measures and how much is due to the pension deferrals. FAB Chair Pierce inquired of the where-about of the financial benefit for all the structural initiatives that were put in place to generate another \$40M.

D. OPERATIONAL UPDATE

CITY OF DETROIT OPERATIONAL RESTRUCTURING SUMMARY: Kevyn Orr, Chuck Moore and Gary Brown

Mr. Moore presented on the City of Detroit Operational Restructuring Summary dated July 8, 2013. Mr. Burks asked going forward to provide a detailed list of revenue initiatives; actual vs. initiative from a timing stand point to evaluate performance.

Mr. Moore explained the most significant area of driving down cost in all departments is Information Technology and said, ERP is key. Facilities, equipment, fleet and technology are key elements.

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FAB Chair Pierce inquired about temporary staffing and further asked if the cashiering issues were solved and stated that she would like to see the details of this initiative. Mr. Burks inquired if City employees will be able to do their jobs on a daily basis after the consultants are gone.

Mr. Gary Brown, Chief Compliance Officer, addressed the FAB and summarized his position dealing with internal controls. He further stated that the work the consultants are doing will get translated into actual policy and procedures and implemented in an effort to better to serve our citizens.

IV. BOARD ACTION AND/OR DISCUSSION ITEMS

- A. By motion made and supported to receive the Emergency Manager, Kevyn Orr's reappointment of FAB members Mary Beth Kuderik, Glenda Price, and Robert Bowman. (Motion passed 8-0)

V. PUBLIC PARTICIPATION/COMMENTS

There were no individuals to address the Board:

VI. MOTION TO ADJOURN

There being no further business, and by motion and second, FAB Chair Pierce adjourned the meeting at 4:12P.M.

Date Approved: _____