

Approved September 17, 2014

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1 CITY OF PONTIAC  
2 RECEIVERSHIP TRANSITION ADVISORY BOARD MEETING  
3 AUGUST 26, 2014  
4 1:00 p.m.

5  
6 Meeting before the RTAB  
7 Board at 47450 Woodward Avenue, Pontiac, Michigan, on  
8 Tuesday, August 26, 2014.

9  
10 BOARD MEMBERS PRESENT:

11 Keith Sawdon  
12 Robert Burgess  
13 Louis Schimmel - The Chairperson

14 OTHERS PRESENT:

15 R. Eric Cline  
16 Joseph Sobota  
17 Nevrus Nazarko  
18 Mayor Deirdre Waterman  
19 Linda Hasson  
20 Billie Swazer  
21 Councilman Randy Carter  
22 Patrice Waterman

23  
24 REPORTED BY: Mona Storm, CSR# 4460

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1 Pontiac, Michigan

2 Tuesday, August 26, 2014

3 12:59 p.m.

4 THE CHAIRPERSON: Okay. I'm going to call

5 the August meeting of the Receivership Transition

6 Advisory Board for Pontiac to order.

7 And let's have roll call.

8 MR. CLINE: All right. Robert Burgess.

9 MR. BURGESS: Here.

10 MR. CLINE: Keith Sawdon.

11 MR. SAWDON: Here.

12 MR. CLINE: Louis Schimmel.

13 THE CHAIRPERSON: Here.

14 MR. CLINE: Mr. Koryzno is excused for today

15 due to a family incident but we do have a quorum.

16 THE CHAIRPERSON: Right. And so I'll be

17 sitting in, running the meeting in his absence. And

18 I'd like to remind everybody here that, if they don't

19 have an agenda, there's one in the back. And, also, if

20 they'd like to speak to the Board for two minutes at

21 the end, they may do so but they need to sign up now,  
22 not at the end. So if anyone would like to speak, they  
23 should sign up now.

24 I'd entertain a motion for the approval of  
25 the agenda.

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1 MR. CLINE: One thing, just for the record, I  
2 just noticed that the -- on the top of the agenda, the  
3 date says Wednesday, the 26th as opposed to Tuesday.  
4 So I just wanted to make note of that.

5 THE CHAIRPERSON: All right.

6 MR. SAWDON: I'll make that motion with the  
7 change.

8 MR. BURGESS: I second.

9 THE CHAIRPERSON: All those in favor, say  
10 "Aye".

11 BOARD MEMBERS: Aye.

12 THE CHAIRPERSON: Motion carries.

13 Back to the approval -- oh, the -- well, is  
14 that the agenda as well; is that what we just did?

15 MR. CLINE: Yes.

16 THE CHAIRPERSON: All right. So then we'll  
17 have the approval of the minutes of the July 16, 2014

18 TAB meeting with the following amendments attached, and

19 you all have a copy of the amendments that were  
20 attached.

21 MR. SAWDON: I'll make that motion but I did  
22 find one other item that needed to be adjusted. It's  
23 on Page ~~38~~<sup>37</sup>, Line 6. I didn't see it in the -- in the  
24 list. It reads "that you", it should be "thank you".  
25 Small -- small change.

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1 THE CHAIRPERSON: Well, let's entertain a  
2 motion and put that in as well.

3 MR. BURGESS: Second.

4 THE CHAIRPERSON: Okay. All in favor, say  
5 "Aye".

6 BOARD MEMBERS: Aye.

7 THE CHAIRPERSON: That is approved.

8 Under Old Business, Mr. Cline, maybe you  
9 could comment on this.

10 MR. CLINE: Yes. You have a report that I  
11 put together regarding the status of the GER --  
12 recommended GERS ordinance amendments and the proposed  
13 420 transfer and, as we have gotten more information  
14 from the City and the GERS Board, the whole issue,  
15 really, kind of breaks down into three different  
16 topics:

17 One is the preservation of the tax exempt  
18 status for the plan. The second is the 420 transfer  
19 and the third is this voluntary correction program  
20 component.

21 We did receive some information from the  
22 City. They had directly spoken with the IRS. And what  
23 they relayed to us was that the IRS was the agency that  
24 linked the 420 transfer and the tax exempt status  
25 together because, per their regulations, an application

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1 for a 420 transfer cannot stand alone, it has to be  
2 linked to something. So they typically link it to a  
3 tax-exempt status and it runs for five years.

4 Now, what has happened is that the IRS  
5 indicated to City officials that they have extended the  
6 tax-exempt status of the plan through December 31st,  
7 2019. And they did this back in November of 2013. So  
8 I am not at all clear why that part of this hasn't been  
9 communicated to this Board before now.

10 But apparently, as best I can determine, that  
11 particular issue is now cleared up and we don't have to  
12 worry about that. So what I consider to be the most  
13 expedient portion that we have to be concerned with is  
14 now off the table.

15           The second component is the 420 transfer,  
16   which although the IRS has given the City their  
17   approval to engage in 420 transfer through 2021, when  
18   the entire option for a 420 transfer expires, the City  
19   would still be required to comply with all of the other  
20   requirements, such as recommended by -- by the GERS  
21   attorney to acquire an AG's opinion on resolving IRS  
22   law -- regulations with State law, in the special  
23   actuarial variation -- or evaluations, making sure that  
24   all employees that need to be vested are and -- and the  
25   end list of the requirements.

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1           As we determined, I believe at the last  
2   meeting, the City has not met these requirements so  
3   they cannot, at this time, engage in a 420 transfer if  
4   they wanted to. And they also did not have any real  
5   funding plan in place to adequately utilize this  
6   transfer.

7           The final component is this voluntary  
8   compliance program and, to be completely candid about  
9   it, I still haven't been able to get enough information  
10   to clearly determine how that component fits into the  
11   rest of this. So I guess the simplest way to say it is  
12   I don't really know what to recommend for that, other

13 than it's sort of there but I don't think we have to  
14 take any immediate action on it.

15 So in light of all this, what I am  
16 recommending is that the RTAB should continue to engage  
17 with the City and the GERS Board on addressing all of  
18 these comprehensive issues. But I believe that the  
19 RTAB should postpone the -- the GERS ordinance  
20 amendments until such time that the City and the GERS  
21 Board come together with a collective recommendation as  
22 to what we need to do going forward. So that is the  
23 recommendation of staff.

24 THE CHAIRPERSON: I believe it's in a  
25 postponed state now. And if I understand your

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1 recommendation, we'll just leave it in that state until  
2 something comes back that is --

3 MR. CLINE: I can't remember our specific  
4 motion at the last meeting, if we postponed it only  
5 until this meeting. But I believe it would not hurt  
6 anything if another motion was made to just postpone it  
7 until new information or a new recommendation from the  
8 City is available.

9 MR. SAWDON: Yeah, I'll make that motion to  
10 postpone until we have a comprehensive plan. I think

11 that's one thing that's really been bothering me the  
12 most is there's really not a well, thought-out plan.  
13 And a lot of the questions I had have not been  
14 answered. So I'm going to postpone it until we have a  
15 comprehensive plan in front of us that really can  
16 address this issue.

17 MR. BURGESS: I second.

18 THE CHAIRPERSON: All right. So it's been  
19 moved that we postpone it until a comprehensive plan  
20 comes forward. And that's been moved and seconded.  
21 All those in favor, say "Aye".

22 BOARD MEMBERS: Aye.

23 THE CHAIRPERSON: Motion passed.

24 The second and final item under Old Business  
25 is the Senior Citizen Reorganization. This had been

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1 postponed, as I recall, and now there is a  
2 recommendation that seems to be along the lines that  
3 matters have been cleared up.

4 Mr. Cline, do you want to comment on that as  
5 well?

6 MR. CLINE: Yes. The City had made a  
7 recommendation to adjust their staffing levels at the  
8 senior centers from two full-time and two part-time

9 employees to three full-time employees. Their  
10 projections show that this -- this would give them  
11 sufficient operating hours to man the senior centers,  
12 as they need to, yet eliminating one position and  
13 making the other one full time would actually, over the  
14 course of time, generate a cost savings, they  
15 estimated, at approximately \$24,000 per year.

16 They did have an alternate proposal to remain  
17 at two full-time and two part-time employees but reduce  
18 the part-time staffing from 29 hours per week to 20  
19 hours per week. However, their primary preference  
20 would be for three full-time employees.

21 After reviewing this, I don't believe that  
22 staff has any serious concerns over doing this and  
23 we're recommending approval begin. And I believe that  
24 the City also had a position description for this which  
25 we believe is adequate and I think that the budget

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1 has -- has sufficient capacity in it to account for  
2 this. So I think we're all set, if the Board agrees  
3 with our recommendation. So --

4 THE CHAIRPERSON: All right.

5 MR. CLINE: And I think if -- if there is any  
6 other additional questions, I'm sure that Mr. Sobota

7 could address those as well.

8 MR. SAWDON: Well, I'll motion approval. I  
9 did look through the documents, in particular the job  
10 description. I was satisfied with it so I would  
11 recommend going from two full-, two part- to three  
12 full-.

13 MR. BURGESS: Second.

14 THE CHAIRPERSON: Moved and seconded.

15 All those in favor, say "Aye".

16 BOARD MEMBERS: Aye.

17 THE CHAIRPERSON: That item passes as well.

18 Under New Business, the first item is the  
19 approval of the resolutions and ordinances for the City  
20 Council meeting of July 10, 2014. Do you want to  
21 comment on these or should we just go through them?

22 MR. CLINE: Well, just very briefly, if I  
23 may. We looked at this as mostly just some routine  
24 business; approval of minutes, an appointment to an  
25 internal committee and receipt of a committee report.

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1 So we're recommending approval and we had no other  
2 concerns with this. So --

3 MR. BURGESS: I so move.

4 MR. SAWDON: Second.

5 THE CHAIRPERSON: Moved and supported. All  
6 those in favor, say "Aye".

7 BOARD MEMBERS: Aye.

8 THE CHAIRPERSON: Item 2 under A is the  
9 meeting of July 17th, 2014.

10 Mr. Cline.

11 MR. CLINE: All right. Again, basically, we  
12 had no -- no concerns with this. One thing that I did  
13 want to note, there was an Application for a Charitable  
14 Gaming License in there for the Bound Together  
15 organization, which is a -- a Local 501(c)(3) that  
16 works to improve local children in the area of  
17 academics and everything.

18 We reviewed this, have no concerns about it  
19 and, therefore, we're recommending approval of all the  
20 items from that meeting.

21 MR. BURGESS: I make that motion.

22 MR. SAWDON: Second.

23 THE CHAIRPERSON: All those in favor, say  
24 "Aye".

25 BOARD MEMBERS: Aye.

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1 THE CHAIRPERSON: Item 3 is the July 24, '14  
2 meeting, regular meeting.

3 MR. CLINE: Again, staff is recommending  
4 approval of all items. There was one item in there  
5 that was approval of a right-of-way easement for the  
6 golf course, the Links at Crystal Lake, which is one of  
7 the old municipal courses. We reviewed the information  
8 provided by the City and all the parameters of that and  
9 it would grant a right-of-way easement that would allow  
10 the facility to reacquire a liquor license, based upon  
11 ownership and making the parcels, basically, contiguous  
12 through this right-of-way easement. So we didn't have  
13 any serious concerns with that so we're recommending  
14 approval of all resolutions from this meeting.

15 MR. SAWDON: I make that motion.

16 MR. BURGESS: Second.

17 THE CHAIRPERSON: Moved and supported. All  
18 those in favor, say "Aye".

19 BOARD MEMBERS: Aye.

20 THE CHAIRPERSON: And the meeting of July 31,  
21 2014.

22 MR. CLINE: We had no issues with this  
23 meeting. I did note that, basically, the action that  
24 the City Council took was to postpone all items until  
25 their subsequent meeting, which I found a tad unusual.

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1 I had never encountered that before but it's perfectly  
2 permissible and so, as such, staff is fine with that.

3 MR. SAWDON: I'll --

4 MR. BURGESS: I'll --

5 MR. SAWDON: -- make --

6 MR. BURGESS: -- make that motion.

7 MR. SAWDON: I'll second.

8 THE CHAIRPERSON: It was a tie. Moved,  
9 supported. And all those in favor, say "Aye".

10 BOARD MEMBERS: Aye.

11 THE CHAIRPERSON: Do you want to know who won  
12 the tie? But I guess we'll give it to Keith.

13 MR. BURGESS: Yeah.

14 THE CHAIRPERSON: All right. The August 7.

15 MR. CLINE: All right. We did have an  
16 opportunity to review this. There was some initial  
17 concern that the City's delay of renewing their Blue  
18 Cross/Blue Shield insurance rates would have them kick  
19 in before the RTAB could review it. But the subsequent  
20 meeting ended up being reviewed for -- for this RTAB  
21 meeting so that became a nonissue. So we're  
22 recommending approval of all the items from the  
23 August 7th meeting.

24 MR. BURGESS: I make that motion.

25 MR. SAWDON: Support it.

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1 THE CHAIRPERSON: Moved and supported. All  
2 in favor?

3 BOARD MEMBERS: Aye.

4 THE CHAIRPERSON: August 14 regular meeting.

5 MR. CLINE: August 14th, regular meeting.

6 Again, pretty much routine business items.

7 There was one approval of the industrial development  
8 district and that was for the General Motors that made  
9 that request and this was to include all contiguous  
10 City-owned parcels that weren't included in their  
11 original industrial development district back from the  
12 1970's. The actual economic impact on the City is a  
13 little bit unclear but staff doesn't have any immediate  
14 concerns over this issue so, therefore, we are  
15 recommending approval.

16 However, if the RTAB did have some additional  
17 questions or something, they could approve all other  
18 actions from this meeting and, subsequently, postpone  
19 this one so I guess --

20 MR. SAWDON: Well, that raised a question I  
21 had is why -- why are we adjusting the district now  
22 rather -- versus what was done in 1977? What's the  
23 compelling reason to do that? Can you give some  
24 information.

25 MR. SOBOTA: Although nothing has been

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1 publicly announced, General Motors is considering  
2 expanding the existing facility. And the expansion is  
3 going to occur in an area that is outside the existing  
4 district boundaries. So I fully anticipate, if this  
5 district amendment is approved today, that tomorrow  
6 General Motors will be in here with an application for  
7 an Act 198, an abatement which the City and the TAB  
8 must approve by October 31st because that's the  
9 deadline set by law for approval for that type of  
10 request.

11 MR. SAWDON: Okay. Thank you. Do you have  
12 the -- do you have a feel for what impact that has on  
13 your tax roll?

14 MR. SOBOTA: We will not until such time that  
15 the application is actually received; that's when they  
16 supply all of the information concerning value of  
17 construction, number of jobs. Like I said, nothing has  
18 been officially announced by General Motors but we  
19 fully anticipate that some application will be  
20 forthcoming relatively soon, possibly as early as  
21 tomorrow, especially since I received a telephone call  
22 today wondering if GM should be present at the meeting.

23 MR. SAWDON: Will that be information that

24 will be shared with the Board?

25 MR. SOBOTA: Actually, the application will

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1 require a public hearing and action by City Council,  
2 the normal tax abatement procedure. It's just not --  
3 it's ineligible at the present time.

4 MR. SAWDON: Got you. I'll make the motion  
5 to approve.

6 MR. BURGESS: I recuse myself from this  
7 motion.

8 THE CHAIRPERSON: GM guy. Procedurally --

9 MR. CLINE: Okay. I think we still -- yes,  
10 you can still vote.

11 THE CHAIRPERSON: Can I?

12 MR. CLINE: Yes.

13 THE CHAIRPERSON: Can I second it?

14 MR. CLINE: I believe so, yes.

15 THE CHAIRPERSON: All right. I vote --  
16 support it and will --

17 MR. CLINE: So we're taking a unanimous.

18 THE CHAIRPERSON: A vote of two, zero and one  
19 absent. Would that pass it?

20 MR. CLINE: I believe so, yes.

21 THE CHAIRPERSON: Okay. All right. Based on

22 that, the motion has been made, I supported it. All

23 those in favor, say "Aye".

24 BOARD MEMBERS: Aye.

25 THE CHAIRPERSON: Keith and myself and a no

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1 vote. Okay. No vote. All right. So motion --

2 MR. CLINE: All right.

3 THE CHAIRPERSON: -- then passes.

4 And that concludes the approval of the  
5 minutes of the various City Council meetings. Item B  
6 are City Administrator Items and we start out with the  
7 income tax collection issue. Mr. Sobota.

8 MR. SOBOTA: As we speak, our income tax  
9 provider, service provider, is in the process of  
10 printing over 38,000 invoices, totaling \$8.6 million,  
11 representing the tax -- income taxes owed to the City  
12 of Pontiac by individuals who filed their incomes tax  
13 returns with the State of Michigan in the years 2010  
14 through 2012 but failed to file an income tax return in  
15 the City of Pontiac.

16 That 8.6 million added to the \$5.3 million  
17 that we presently demonstrate on our balance sheet  
18 demonstrates, at that time, City of Pontiac is owed  
19 just under \$14 million in income tax, majority of which

20 is from individuals.

21 The \$8.6 million does not include any income  
22 tax owed by corporations or partnerships because there  
23 is not a non-filer program that is available between  
24 the state and local units of government.

25 Presently, according to our records and in

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1 the July report, you will note that there are 470  
2 corporate tax returns that are filed in the City of  
3 Pontiac. We have lists that identify between 2,000 and  
4 2,500 businesses operating in the City of Pontiac.

5 These figures demonstrate that there is a  
6 serious lack of compliance with the income tax  
7 ordinance in the City of Pontiac and these figures  
8 seriously demonstrate how much additional revenue that  
9 the City of Pontiac is potentially losing on an annual  
10 basis and cumulatively for failing to having a strong,  
11 fair income tax collection program and also a fair,  
12 strong program to identify individuals and corporations  
13 that have not filed income tax returns with the City of  
14 Pontiac.

15 In the proposed two-year budget that  
16 Mr. Schimmel left, he provided for \$100,000 to be used  
17 for this program to be implemented and that \$100,000

18 expenditure was offset by a \$100,000 offset and  
19 increase in revenue. Despite the fact that last fiscal  
20 year we did not have any sort of program regarding  
21 delinquent income tax collections, we still managed to  
22 collect just under the projected regular income tax  
23 collections and the \$100,000 delinquent collections as  
24 we had identified in the budget.

25 Income tax is a rather interesting program.

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1 There are very few communities in the State of Michigan  
2 that have a local income tax. The method to collect  
3 income tax is a lot different than property taxes. You  
4 can't turn it over to the county treasurer, you can't  
5 seize property and sell it. There aren't firms in the  
6 State of Michigan or nationally that, to the best of  
7 our ability, knowledge and research that specialize in  
8 delinquent income tax collections.

9 There is a provision in the law that  
10 indicates that failing to pay, failing to file is a  
11 misdemeanor subject to the normal criminal prosecutions  
12 in the local District Court.

13 Fortunately in Pontiac, we have a gentleman  
14 on staff who is quite familiar with the collection  
15 methods of a local income tax. This gentleman is quite

16 knowledgeable and has the expertise of nearly a decade,  
17 if not more, in that particular field, specifically.

18 That is our finance director, Mr. Nazarko,  
19 which is one of the reasons that we were glad to have  
20 him agree to take on the position of Finance Director  
21 here in Pontiac.

22 Anecdotally, yes, Mr. Nazarko was head of the  
23 State Income Tax Directors Association, has run the  
24 program. But I can honestly say that I have seen a  
25 good collection program implemented and that program

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1 resulted in a 25 percent increase in income tax  
2 collections in the City of Hamtramck over a decade ago.

3 I don't recall if Mr. Schimmel was there at  
4 that time. This may have been just before his arrival  
5 but we did see a dramatic increase in income tax  
6 collections.

7 That being said, we have tried to identify  
8 various ways to engage in an income tax collection  
9 program and there are three options that were  
10 considered.

11 The first option was to hire a full-time  
12 employee dedicated to income tax collection and  
13 enforcement activities. This person's responsibilities

14 would primarily be two-fold; number one, to initiate  
15 the case and represent the City in the District Court  
16 for those violators who have already been identified.  
17 We know how much they owe us and they just refuse to  
18 respond.

19 And second is to perform field work and  
20 audit, visit businesses on the commercial side. So  
21 that is one possibility. A second possibility is to  
22 amend the existing agreement that we have with our  
23 income tax servicing provider to take on an additional  
24 duty of income tax collection and enforcement.

25 And the third option, which I mentioned

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1 earlier, was to contract with a collection agency.

2 We have evaluated all three options and I  
3 will go through each one in reverse.

4 Contracting with a collection agency. There  
5 is no evidence that we were able to determine that  
6 there is a collection agency that specializes in the  
7 collection of delinquent income tax returns. And due  
8 to the confidentiality and sensitivity and the judicial  
9 proceedings in regards to this issue, we really don't  
10 know how a collection agency would be able to  
11 successfully implement a program because, yes, they'll

12 send out notices.

13 Well, our vendor sends out notices. But when  
14 a normal collection agency is given an account to  
15 collect, it's essentially sold off to them. Well, an  
16 income tax a person can pay at any point in time so  
17 there needs to be some sort of interaction between  
18 either the City or the current vendor that processes  
19 our income tax returns.

20 And generally, these collection agencies  
21 usually charge a percentage of collections. Let's say  
22 you take 20 percent of 8.5 million, \$14 million, that  
23 seems a little bit high and we want to see if we could  
24 find a way to increase collections at a lower cost to  
25 the City.

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1 Another option was to amend the contract with  
2 the current vendor. We have been working with a vendor  
3 unofficially, probably for the last two years and,  
4 really, in earnest, for the past several months. And  
5 in the last months we really have been pushing the  
6 vendor to present to us a proposal to contract with us  
7 to engage in that enforcement activity.

8 We had given the vendor the deadline that we  
9 needed to submit this agenda packet for consideration.

10 The deadline came and went and we had not received that  
11 proposal from our vendor. The following Monday the  
12 proposal did come in and the proposal indicated a  
13 \$120,000 for this particular service.

14 Mr. Nazarko and I are both concerned that it  
15 took the vendor over a month to develop a proposal,  
16 which leads us to believe that either he is not  
17 prepared to engage in this type of activity or he  
18 really doesn't want the job. We don't know what it is.

19 But the nonresponsiveness on this end was  
20 rather troubling and we've had some other issues  
21 obtaining the information that we need to identify the  
22 actual amount of income tax that's owed from the 2010  
23 through 2012 year. We were not satisfied with the  
24 vendor's performance on this particular issue. What I  
25 had failed to indicate is that, although we collected

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1 the 2010 through 2012 non-filer tapes, we lost the 20'7  
2 through 2009 non-filer tapes because those requests  
3 were not made at the appropriate time.

4 So, essentially, the City could have lost,  
5 potentially, another \$8.6 million of potential income  
6 tax collections, assuming that's the same amount of  
7 money, a three-year period of time.

8           The option that both Mr. Nazarko and I are  
9 both familiar with is having an employee dedicated to  
10 this particular program. We had an employee in the  
11 Treasurer's office who we were training to engage in at  
12 least representing the City in court on these issues  
13 but that employee has resigned and we presently have a  
14 vacancy in the staff of the Treasurer's office.  
15 However, even though that employee was being trained in  
16 this particular field, that wasn't the employee's main  
17 training and expertise.

18           So Mr. Nazarko has developed a job  
19 description, it was shared with the Mayor and the City  
20 Council. I have reviewed it. That is presented to you  
21 this afternoon for consideration. And we believe that  
22 we will be able to attract a qualified candidate to the  
23 City of Pontiac to engage in this activity with -- for  
24 an expected total compensation between 60- and \$70,000.

25           If you recall, we have \$100,000 set aside.

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1   There will be some additional processing costs, for  
2   example, mailing 38,000 notices is a good example that  
3   Innovative will be incurring. So we fully believe  
4   that, within the authorized budget, the proposal that  
5   we are presenting is feasible.

6 Now, in terms of timing -- and I'm going to  
7 make an analogy here. You have a ten-year-old who  
8 leaves his toys in the middle of the room and a  
9 ten-year-old ought to know better. So then the parent  
10 comes and says, "You better pick up your toys. If not,  
11 you're going to be punished." Well, the -- that day  
12 ends and the ten-year-old leaves his toys there and  
13 he's not punished. A month later, the toys are still  
14 there and the parents say, "You better up pick up those  
15 toys. You're going to be punished." And that day ends  
16 and the toys are still there and we're looking at  
17 another three months down the line and the same toys  
18 are there and, once again, "There's going to be  
19 consequences if you don't pick up those toys."

20 Well, in the procedure that we're doing with  
21 the income tax, it's not -- we're sending out a Notice  
22 and that's it, we're ready to move to court. There's a  
23 series of invoices and warnings that are sent out to  
24 give the delinquent taxpayer adequate time to address  
25 the issue with the City, either by paying or entering

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1 into an agreement. And that's really what the income  
2 tax vendor has been doing over the past several years.  
3 However, there have not been any consequences to those

4 taxpayers who have just blatantly ignored the City.

5           And based on this mass mailing of 38,000  
6 invoices and the timing that it would take to bring on  
7 a new staff member, we fully believe that, if we  
8 receive approval today to -- for this position, which  
9 will allow us to begin the hiring process, the time  
10 that generally it would be when the taxpayer would  
11 essentially receive their last warning, the City then  
12 would be able to step in and begin actual enforcement  
13 in 50th District Court.

14           Mr. Nazarko has had discussions with the  
15 Chief Judge. This is a program they have never done in  
16 the history of the City of Pontiac through their income  
17 tax program. She is very open and receptive to this  
18 particular program. We believe that the revenue that  
19 is out there, just the first mailing alone, Mr. Nazarko  
20 believes that we will receive a significant sum with at  
21 least the first round of mailing. But the follow-up,  
22 the collection and the enforcement is key.

23           In addition, the businesses, 470 are filing  
24 returns, there could be anywhere's between 2,000 and  
25 2,500 out there. I don't think they're all sole

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1 proprietorships. We need to be fair and equitable with

2 everyone so we need to have someone who has time to go  
3 out there on the road and do the site-to-site visits.

4 So that is my plea to you this afternoon to  
5 approve this particular request. The sooner that we  
6 begin collecting, the better idea we will have what the  
7 City's revenue projections will be for the '15/'16 and  
8 subsequent fiscal years.

9 We believe that if we are able to have the  
10 people start paying now, they'll learn once and, in the  
11 future, that they will file their returns. The other  
12 concern that we have is that the longer you wait before  
13 you start billing and collecting, people either die,  
14 move away, are more difficult to track down. So the  
15 longer we wait, the greater potential is that we will  
16 not be able to collect as much of the money as  
17 possible.

18 Mr. Nazarko will be working with the  
19 accountants to determine exactly what portion of this  
20 we believe will be collectible and it will be recorded  
21 in the financial statements for year ending June 30th.  
22 However, we know of at least an additional \$8.6 million  
23 in assets that will be added, to be determined as the  
24 amount that will be booked as deferred revenue. And if  
25 you have any other specific questions regarding this,

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1 I'd like to defer those to Mr. Nazarko.

2 THE CHAIRPERSON: Very good summary. A huge  
3 item for the City.

4 Comments?

5 MR. SAWDON: Well, I want to make sure I  
6 understand. Are you proposing to fill the vacant  
7 treasury position with an income tax collector/treasury  
8 person?

9 MR. NAZARKO: No, this will be a different  
10 position, in addition to what staff we have in the  
11 Treasurer --

12 MR. SAWDON: So this is a new cost to the  
13 budget of 70,000?

14 MR. NAZARKO: Correct. However, as  
15 Mr. Sobota indicated, we do have an additional \$100,000  
16 left in Mr. Schimmel's budget. That is offset by an  
17 additional \$100,000 worth of revenue so neutral effect.

18 MR. SAWDON: How much time did you spend on  
19 reviewing a collection agency alternative? Because,  
20 you know, that's a percentage of those dollars  
21 collected. There's a lot of incentive there. I just  
22 wondered how extensive a review you spent on a  
23 collection agency.

24 MR. NAZARKO: Collection agencies, we did not  
25 spend a considerable amount of time. However, I have

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1    been approached by one collection agency on unrelated,  
2    not income tax. Because as Mr. Sobota indicated,  
3    income tax is bound by different confidentiality rules  
4    that not all collection agencies can obey to. And we  
5    can have potential -- the State of Michigan is very  
6    strict in enforcing the confidentiality agreement and  
7    rules when it comes to the income tax collection. As a  
8    matter of fact, we have a review coming up with our  
9    current vendor to that effect.

10           So the short answer is that I have not spent  
11    a good amount of time for two reasons, again,  
12    confidentiality being the one and the other one the  
13    cost. Because most of those collection agencies are in  
14    the neighborhood of 30 to 40 percent they want to take  
15    of the profits -- of the collections. And that seems a  
16    large amount of money to pay if we can do it cheaper.

17           MR. BURGESS: Are you familiar with  
18    Hamtramck's current effort?

19           MR. NAZARKO: I don't think I am. However, I  
20    can tell you that that effort has declined considerably  
21    the last few years.

22           MR. BURGESS: I think they just hired a  
23    collection firm.

24           MR. NAZARKO: To collect the delinquencies?

25 MR. BURGESS: I believe so.

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1 MR. NAZARKO: Okay.

2 MR. BURGESS: You may just check it out.

3 MR. NAZARKO: Okay.

4 THE CHAIRPERSON: Well, I would just like to  
5 reiterate what Mr. Sobota said. I obviously was very  
6 familiar with Mr. Nazarko in Hamtramck in my days there  
7 and I think we do have somewhat of a unique situation  
8 here, in that he's here and I don't think there's  
9 anybody that could tell you differently that he -- he  
10 is an expert at this sort of thing and I think maybe we  
11 should take advantage of it and give him help if he  
12 needs it.

13 Kind of my feeling, but Mayor --

14 MAYOR WATERMAN: May I <sup>be</sup> ~~can~~ recognized on this  
15 topic?

16 THE CHAIRPERSON: You may.

17 MAYOR WATERMAN: Of whatever concern it is to  
18 the TAB Board, I'm just hearing for the first time, at  
19 this meeting today, that this has been the primary  
20 decision regarding handling this particular matter.

21 As late as the department head meeting on  
22 Friday, which we routinely held, I understood at that

23 time that our first choice would be to look at the  
24 income tax collection agency. So, to the extent that  
25 you're trying to make a decision today that is a

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1 concern to you all, I haven't have a chance to revisit,  
2 you know, what the pros and cons of these various  
3 options may be.

4 And I particularly am interested in knowing  
5 what the -- what the decision is based upon. Because  
6 of the fact, in another matter, one of the things I was  
7 told was that we have excess capacity in Treasury right  
8 now and that they were going to be able to handle  
9 another matter, which is waiting for parking because of  
10 the fact we have excess capacity.

11 So in terms of allocation, as we are limiting  
12 recurrent to plan the City with 24 people, of course we  
13 want to make sure that we have the correct allocation  
14 division among departments. So I don't know if you  
15 have enough information but I'm just telling you, at  
16 this point, I have not had enough information to decide  
17 that that is the best option of the ones that were  
18 presented to me.

19 MR. SAWDON: Yeah, I'd like to go ahead and  
20 make a motion to postpone until at least the collection

21 agency option has been explored a little bit further.  
22 And I would like to find out a little bit more  
23 information about can the position between Treasury and  
24 Income Tax Collection be somewhat combined, since you  
25 have an opportunity right now with the vacancies, I

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1 just -- I would motion a postponement until at least  
2 those two items are a little bit further examined.

3 MR. BURGESS: I second that.

4 THE CHAIRPERSON: Moved by Mr. Sawdon and  
5 seconded by Mr. Burgess that we postpone this item to a  
6 date or until the next meeting.

7 MR. SAWDON: The next meeting will be fine.

8 THE CHAIRPERSON: Until the next meeting.

9 All those in favor, say "Aye".

10 BOARD MEMBERS: Aye.

11 THE CHAIRPERSON: Opposed against?

12 Aye.

13 Woops. You need a majority to pass.

14 MR. CLINE: We have a majority of those  
15 present.

16 MR. SAWDON: Present.

17 THE CHAIRPERSON: Okay. All right. So that,  
18 I don't want to hold -- hold up.

19 All right. Thank you for the presentation.  
20 Thank you, Mayor, for your comments as well.  
21 The next item on our agenda -- I'm lost.  
22 MR. CLINE: It would be Nonaction.  
23 THE CHAIRPERSON: Nonaction items.  
24 Mr. Nazarko, you're up with the monthly  
25 financial report.

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1 MR. NAZARKO: Yes. As presented to you, the  
2 financial reports for the month of July 2014 for the  
3 month ending July 31, 2014 show the balance, there is  
4 balances in our respective funds. And items of  
5 importance are the fact that we are, as we have  
6 indicated before, anticipating to end the fiscal year  
7 2013/'14 in a -- with a positive fund balance of  
8 approximately \$4.5 million.

9 However, the balance, the fund balance as of  
10 7-31-2014 in the general fund is a little bit skewed,  
11 so to speak, from the previous years. It's now  
12 extensive above \$9 million because this year we first  
13 started accruing the property tax revenue, as they  
14 should be, based on GASB pronouncements, to reflect the  
15 entire roll to be <sup>accrued</sup> ~~accrued~~ at the beginning of the year  
16 because the tax is collectible, estimate-able and all

17 that. So before we did not do that.

18 We -- the practice of the City of Pontiac has  
19 been that we booked the property tax revenue as they  
20 came in, month in and month out. So this year we  
21 changed that as a result of the fund balance. It will  
22 be a little bit skewed in the month of July. However,  
23 it will even out during the next 12 months. And again,  
24 no harm or no misleading financials, so to speak, if  
25 you are aware of the fact that I just mentioned.

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1 Another positive item that's shown in the  
2 reports is that, since we are going to have a healthy  
3 fund balance or a positive fund balance in line with  
4 the target that has been kind of put in place  
5 unofficially and will be put in place with the new fund  
6 balance policy that has been presented by myself to the  
7 City Administrator and the Mayor and will be presented  
8 to the Board once I incorporate their recommendations.

9 So the fund balance policy forthcoming  
10 mandates, basically, a 15 percent fund balance in the  
11 general fund that's the fund at this point that I'm a  
12 little bit -- you know, more concerned, obviously, for  
13 obvious reasons. However, we believe that that target  
14 is doable and we, as a matter of fact, met that target

15 this year.

16 But more importantly, this Board has been  
17 presented with cash flow statements in the past year  
18 and a half and we will continue to present cash flow  
19 statements quarterly, as requested by the Emergency  
20 Manager's order. However, I'm happy to say that, in  
21 the next 12 months, I do not see a problem with the  
22 cash flows to meet the obligations of the general fund,  
23 as a result, again, with the fund balance and the  
24 expected revenue that we have budgeted accordingly.

25 Therefore, like I said, you know, it's

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1 important that this Board and the City Council and the  
2 Mayor have the information on the cash flow but we have  
3 not -- I do not anticipate a situation like we had back  
4 in March, where I asked for authorization to borrow  
5 from other funds temporarily to meet the needs of  
6 the -- meet the obligations of the general fund. So  
7 that is another positive item. We have done a lot of  
8 good things in the last few months.

9 The income tax, as Mr. Sobota mentioned, is  
10 one. It's a sizable amount of cash that is sitting out  
11 there that, in last six years, we have failed to  
12 collect. However, as we know that we can use any dime

13 that is out there legally owing to the City of Pontiac.

14 So looking forward to collect -- to collect a portion  
15 of that revenue.

16 We have been looking, account by account,  
17 going with tooth/comb to various accounts to make sure  
18 that what is presented in the financial statements is  
19 the -- are the correct numbers and they are not  
20 misleading in any way, shape or form. We did another  
21 good thing that we escrowed -- actually, escheated  
22 through the State of Michigan.

23 As we are required to do so by law, the  
24 cash -- the checks that were not cashed that are in our  
25 possession sent to various vendors and they're not

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1 cashed within a year, we are mandated by the State of  
2 Michigan to send them, to escheat them, to the State to  
3 Unclaimed Property Division. We did that two months  
4 ago, I believe, or three months ago and I'm not sure if  
5 I mentioned that in the previous reports but that's one  
6 item that I'm happy to report that we got it right.  
7 Because in the past I don't believe it was one of the  
8 items that we handled accordingly.

9 We have made up the balance due -- as you  
10 know, we collect the dog license, animal license fees

11 on behalf of Oakland County because they do our animal  
12 control. That's another item that we cleared off the  
13 books. We're approximately a year and a half that we  
14 have not paid -- collected but not paid. Oakland  
15 County got their share of the money and I believe that  
16 my directions has been that, you know, at least  
17 quarterly, if not monthly, we are going to supply that  
18 amount of money to them because we owe it to them.

19 Property tax collections, the roll -- tax  
20 bills went out timely. The collections came in during  
21 the month of July, as indicated in this report,  
22 standing at 60 -- almost 63 percent of the total roll  
23 in one month and Pontiac is one of those rare  
24 municipalities that the deadline to pay property --  
25 summer property taxes is within a month that we receive

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1 the tax bill. So July 31st is in our town.

2 And again, it's a short -- you know, aside  
3 from the subject, it's a short time to collect, to give  
4 the residents to pay their income tax -- their property  
5 tax, I'm sorry. I believe August 31st is more  
6 commonly, however, September 14th has been a lot of  
7 them as well. This is the same way that, when the  
8 proposed -- the Charter Commission approached me with

9 my recommendation or my suggestions on the finance side  
10 of the Charter and this was one of the recommendations  
11 I gave them, told them that I think it does a lot of  
12 good, you know, to help the taxpayers to extend this  
13 deadline at least until August 31st.

14 And I believe they took that and, you know,  
15 I'm not sure where the Charter is going but, you know,  
16 just to give you the heads up that this is one of the  
17 items that, although it kind of like looks it hurts the  
18 cash flow, I don't think -- I don't think it does, you  
19 know, any harm to the financials, if that is  
20 recommended.

21 Other receivables that we have in our books,  
22 again, we are looking closely to make sure that what is  
23 presented there is actually due and owing to the City  
24 of Pontiac. You will have a better picture with the  
25 reports that come next month because, as you know,

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1 monthly -- the July and August, we do a lot of work  
2 with the Accounting Department to straighten out the  
3 balances, to clear out the receivables, to book back  
4 the items that were due from last fiscal year. But I  
5 believe we have -- compared to last year, we are in a  
6 much, much better position, aside from the receivable

7 from -- receivable from the Pontiac Public Schools, all  
8 others are -- are basically either closed or to a  
9 situation that we are managing it very well.

10 The one item that is hanging out there and  
11 Item E and probably the Mayor will mention this item in  
12 her reports, the healthcare funding for retirees. I  
13 did give the Mayor some preliminary numbers that the  
14 Mayor and myself have met with a ~~restruc~~<sup>restructuring</sup>tion (sic)  
15 firm, I believe it is, Conway MacKenzie representatives  
16 to see what other solutions are out there, that, you  
17 know, we can work that thing out.

18 However, where I come in as a finance  
19 director, again, I have given the Mayor preliminary  
20 numbers and I have been closely working with her and  
21 the representatives from the Conway MacKenzie to make  
22 sure that they have all the information they need from  
23 me to make some assumptions that are acceptable to the  
24 Counsel and the Mayor as well.

25 So more information on that is forthcoming.

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1 And the last item, two more items actually, one that,  
2 you know, I'd like to let you know that we are working  
3 with the accounting department and the auditors, we  
4 started communication, you know, work papers and

5 whatnot, meeting with them next month. Actually, they  
6 come in next month to do the interim audit, ahead of  
7 schedule, ahead of time from last year.

8 I'm hoping ~~that~~ to wrap that up and, as I  
9 promised before, to have the financial statements in  
10 the audited format, ready to go to the State much  
11 sooner than last year. Let's leave it at that.

12 And last item I am recommending, and this is  
13 in the report, Item G on the second page, that we  
14 should start -- I'm recommending to the Mayor and to  
15 the City Administrator that we should start discussion  
16 with the Oakland County Sheriff's office about the  
17 expiring -- the police contract that would expire next  
18 year, actually, December 31st, 2015.

19 However, given the complexity of that  
20 contract, the size of that contract and other items  
21 that are involved, it's -- I don't think we are too  
22 early to start talking and negotiating and look, you  
23 know, what direction, you know, that we will take that,  
24 you know, as far as the finance side, for certain.  
25 Because it's a sizable amount of our general fund

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1 budget and we will try to keep it that way.

2 So those are my major items and I'm open for

3 any questions, if you have any financial questions.

4 MR. SAWDON: When do you think you'll have  
5 your audit done?

6 MR. NAZARKO: I'm expecting by mid-November  
7 or late.

8 THE CHAIRPERSON: That would be a record.

9 MR. NAZARKO: I -- I'm hoping so.

10 MR. SAWDON: Thank you.

11 THE CHAIRPERSON: Any other questions for  
12 Mr. Nazarko?

13 MR. SAWDON: None.

14 THE CHAIRPERSON: Or the report?

15 Thank you so much.

16 Mayor?

17 MAYOR WATERMAN: Good afternoon, Gentlemen.

18 I'm happy to add to the reports that have been given to

19 you by the City's Administrator and by our Finance

20 Director, Mr. Sobota and Mr. Nazarko. I'd like to

21 start off with just some reports about the economic

22 development within the City, some good news.

23 We've had some announcements regarding the

24 City. And I think that reflects the potential for

25 opportunity for economic development that surely is one

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1 of the greatest ways we have of getting into financials  
2 and growing our revenue in the City, such things as the  
3 M1 concourse, which is the novel idea about a car condo  
4 and other related car activities, which finished their  
5 financing and had their first opening event a couple  
6 weeks ago. And that's right at the entry of Pontiac.

7 The other thing that -- one of the other  
8 things that's happening is that we've had a front-page  
9 Crain's article, Business Bible of the -- of a Michigan  
10 Community about the downtown development from Core  
11 Partners, a group they've assembled that has some  
12 forecast of doing \$40 million of development in our  
13 downtown. So that was -- that was great news as well.

14 And in addition to the fact that you all know  
15 about the RACER Trust properties, we've had a number of  
16 properties within the City of Pontiac that some of them  
17 which have gone foul. And we've even had competitive  
18 bids now on a couple of the major properties that are  
19 here. So those are all good news, in terms of  
20 development within the City of Pontiac.

21 In addition to the fact that we are now, as I  
22 think I said previously, one of the recognized and  
23 certified communities with the One Stop Ready Program  
24 that has been sponsored by Oakland County. In fact, as  
25 one of those certified cities, we were invited to

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1 present at Oakland County's first developer showcase,  
2 which we did and we developed for that and I think this  
3 was a novel approach. Amongst the six cities that  
4 presented, we presented a video that explored the  
5 opportunities and assets within Pontiac that we have  
6 yet to develop with statements of testimony from CEOs  
7 and presidents of various organizations that had done  
8 building projects within Pontiac and spoke to the  
9 efficiency and reduced bureaucracy in our Building and  
10 Safety Department.

11       So those are all the things we're doing to  
12 not only change the narrative about where Pontiac  
13 stands, in terms of economic development but also to  
14 clarify and expand upon the opportunities which exist  
15 within this community.

16       One other thing that I would like to  
17 highlight, I'm kind of proud of at this point, and I  
18 think our City Administrator and Finance Director hit  
19 upon this. But I want to put an exclamation point  
20 behind it. You know, as I asked in the beginning, what  
21 were the bench marks for Pontiac getting out of  
22 receivership. Because I see that as an important part  
23 of what I was elected to do, to help to lead us at  
24 least on a plan to get out of receivership.

25       And two of the bench marks I think we have

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1 achieved, the first one, of course, is that  
2 collaboration between the upper levels of government  
3 that with our City Council having adopted very  
4 professional rules, and those are being followed, as  
5 well as the collaboration I've had with City Council,  
6 in terms of various parameters and policies that we  
7 have worked collectively on. So I think that's one.

8 But, number two, which is the financial one,  
9 and that is the fact that we were to achieve a  
10 15 percent surplus revenue funds. And I think you  
11 heard the -- our Finance Director say that we did  
12 achieve that as of 6-30-14. It looks like we have a  
13 TIFA marked at 4.5 million. So I know he said that  
14 within that report but I want to put double exclamation  
15 points behind that to tell people that we have achieved  
16 that and, very rightly so, that we can explain that  
17 that is another benchmark that we have achieved, and  
18 then sustaining that, of course, we have to do that  
19 going forward and we are aware of that.

20 Now, I would like to update you on some of  
21 the more specific task areas that I have been assigned.  
22 The first of which was the Phoenix Center litigation,  
23 and that is proceeding. The condemnation litigation is

24 proceeding. In the meantime, Phoenix Center, of  
25 course, is that topic that excites everybody's interest

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1 and that I must get more questions about what's going  
2 to happen with that whole property here, what is the  
3 plan. And I must say that, in light of the fact that I  
4 felt this responsibility when I was elected to make  
5 sure that our government was transparent and that  
6 answered questions related to the assets.

7 So, to -- because I get deluged with so many  
8 questions and to which I don't necessarily have all the  
9 answers, I'm still looking for some of those, one of  
10 the ways I thought to be informative to the public and  
11 useful to the public was to engage a group to have a  
12 Town Hall Meeting, in which these questions could be  
13 answered and, you know, what we knew and the  
14 information we had could be shared with the general  
15 public to which I am responsible.

16 And my requirement for such a Town Hall  
17 Meeting were, number one, that it be information  
18 sharing, you know, not axe burning or grinding but to  
19 be information sharing. I think that's what we owe the  
20 voting public. So transparency was important.

21 The other thing was that it be expository,

22 you know, not argumentative, not state your claim but  
23 expository about what we know and what we need to know.  
24 So to that extent, I have engaged a -- some  
25 reliable volunteer citizens who have worked with my

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1 transition committee as well as we had engaged  
2 Premasevita (sp), which some of you may be familiar  
3 with, the Lansing non-profit group that helps  
4 communities explore issues. And that we do plan to  
5 have this Town Hall in the near future with a  
6 participation from both elements of the county as well  
7 as other -- other entities who can share information to  
8 bring people up to date so that we're not talking about  
9 just hearsay, that we're talking about real  
10 information. And I think that's important for any  
11 community to -- that we're having people deal with real  
12 facts and not with what the conjectures are and the  
13 controversy.  
14 So that is in here. We will tell you more  
15 about that as that <sup>residence</sup> residents plan develops. I think  
16 this is all part of what I think needs to ~~do~~ <sup>be done.</sup> In any  
17 of the communities that have been successful in going  
18 from where we have previously been termed as being  
19 overwhelmed to a community that can transformative with

20 which sometimes we are compared, that one of the things  
21 that is common amongst those communities that have  
22 done, that made that transformation, is the fact they  
23 come up with a plan, you know, a development plan.

24 So among those steps, as we outline, that to  
25 take, one of the things, the first step we can avail is

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1 to come up with a master plan, that I told you about  
2 has been revised with a lot of community input as well  
3 as expertise. And so we're just waiting for that  
4 comment period to end from which that's adopted by the  
5 Planning Commission.

6 The other part of that is to develop an  
7 economic plan. And I think I've also talked to you  
8 about the fact that, along with Oakland County and with  
9 the help of the EDA grant, that we obtained with the  
10 help of Oakland County, that Dan Hunter and I are  
11 co-chairing an economic recovery plan, in which we have  
12 the steering committee and a large stakeholder group.  
13 And we are now in the process of choosing a consultant  
14 for that with plans to begin to do those deliberations  
15 and meetings, so that the final report is due to the  
16 EDA. The draft is due in April of next year so we plan  
17 to work expeditiously.

18           Once we have a shared vision, you know,  
19   through these various, you know, documents, then that  
20   will help us to develop a plan, a plan that we can take  
21   to funding, a plan that we can show investors and  
22   developers who want to know where is this City going,  
23   how are you going to get there. And that is the route  
24   we've chosen to take regarding a methodical way. So  
25   just to bring you up to date on that.

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1           The next issue, of course, is retiree health.  
2   The newest development, I don't know if Mr. Cline  
3   shared with you. But Police and Fire have dropped  
4   their suit to add the pre-1996 retirees to their plan.  
5   So that is one of the contentious issues that seems to  
6   have been resolved.

7           The information that Mr. Cline's already  
8   presented to you about the fact that Mr. Nazarko had  
9   presented me with a report of his conversation with the  
10   IRS and the question we were concerned about was  
11   whether the retiree replan had tax exempt status that  
12   has been resolved now, as you've heard. And I've asked  
13   for time on the agenda for the Retiree Board meeting  
14   tomorrow to be able to share with them that  
15   information.

16           So we are, as you've heard, been able to  
17 engage some outside help to be able to flush out the  
18 pros and cons of the various other settlement options.  
19 Since we wanted to do negotiation with the Retirement  
20 Board, in terms of seeing if we could settle this  
21 healthcare retiree issues outside of the courts, that  
22 one of the things we had to do was to gather the  
23 information and the pros and cons of these issues and  
24 what -- how the City would benefit or not benefit and  
25 what position that would put us in.

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1           So we were able to engage that and we just  
2 need -- we really need some help in terms of getting  
3 the actuarial information so we can have some realtime  
4 real data information to be able to flush out those --  
5 those options.

6           As regards to blight, we have expedited some  
7 of the processes toward handling the whole demolition.  
8 Those are ongoing, signing contracts and now we're just  
9 trying to move the demolition contractors along. We  
10 had to release one demolition contractor from the  
11 contract because of the fact they had not moved forward  
12 within the 30-day period. We're being less tolerant of  
13 contractors who accept the contracts and then don't

14 follow through on their assignments. So that's going  
15 on.

16 We also are fully engaged with the Pulte  
17 organization and are following along with their  
18 suggestion that one of the things we need to do is just  
19 a whole survey of the blight situation in Pontiac. We  
20 haven't had that since 2012. And a lot of that data is  
21 outdated. So we're going to start with a certain pilot  
22 area. We have funding ~~from~~ <sup>for</sup> that. So that's not a City  
23 budget's concern. And along with demolition, as I have  
24 contended, that it's not just getting rid of abandoned  
25 properties for our neighborhoods, we also need to see

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1 the properties that can be renovated or rehabilitated.

2 And there's also certain other workforce  
3 issues that we can also help to at least make a dent in  
4 by this demolition project. And, for that, I have a  
5 deconstruction subcommittee that's looking to form a  
6 process by which we can also train both undergrad  
7 students, vocational students, as well as unemployed  
8 workers to give them experience and certification so  
9 they are then hireable and have a workable skill. And  
10 this, certainly, is something that we can use to help  
11 to reduce this minimum 20 percent unemployment rate,

12 higher in some sectors according to some experts. And  
13 I think that's another check box we can help to  
14 accomplish.

15 There's a lot of moving parts in doing this  
16 deconstruction. We've had help by a number of  
17 different experts. We've got a pretty large blight  
18 authority commission but that is starting and we  
19 begin -- plan to begin that survey very shortly. We'll  
20 have realtime information, we have software that has  
21 been introduced and we have funding for that software.

22 Now, as I've been doing all these things,  
23 I've been acutely aware that I have limited staff to be  
24 able to work with, in fact. So the Deputy Mayor  
25 position, the one person that I have who will report

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1 and work directly with me, everybody else is on paper,  
2 you know, on the hierarchy that this Board has approved  
3 reports to the City Administrator. So I am glad to  
4 tell you that that process is underway. Through the  
5 Michigan Municipal League, the Treasury has helped us  
6 to afford the expense of doing that executive search.  
7 We have had some credible candidates. We just reviewed  
8 the list that was brought down by -- in the mail  
9 yesterday and plan to do some interviews in the near

10 future.

11 I understand that I'm bound by the job  
12 description that we negotiated with Treasury because of  
13 the fact that we both agreed that it would most benefit  
14 this community if we had somebody with professional  
15 background and standards to be able to fill that  
16 position. So I am acutely aware of that. We'll  
17 bound -- abide by that but with the understanding that  
18 this is the only person that I have to work with  
19 that -- you know, work directly. So it's very  
20 important, in all these responsibilities that I have,  
21 that I have competent help to help with that and that  
22 there are some intangible assets, too, that I think  
23 this person needs to -- needs to have in addition to  
24 the ones that are on paper. And those are a good fit  
25 for this community.

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1 So as I transact the responsibilities I have,  
2 I want to make sure that that Deputy Mayor position  
3 also fills those intangible qualities. And so that  
4 will help to guide my decision as well. But I'm happy  
5 that you're making this my decision. You know, it's  
6 been eight -- eight months since I've been in office.  
7 So I've been, as I said, running as fast as I can. So

8 it's either getting some help or cloning myself. So,  
9 with this Deputy Mayor, I won't have to do the later: *latter*

10 A couple of things that I'm going to share  
11 with you, as I've gone through and realized the  
12 situation that we're in here in Pontiac and, you know,  
13 as I talked to other mayors and share experience and  
14 tell them, you know, I'm -- we're running the City now  
15 with 24 employees and they look at me and say, "Are you  
16 serious?"

17 And I say, "No, we are actually doing that."  
18 So it's important that we have the most effective use  
19 and the most effective allocation of staff. And that's  
20 why, when I heard about this Treasury position, I'm  
21 saying, "Well, wait. There's some other things, you  
22 know, I think we need to take into consideration." I  
23 just want to make sure that the staff that we have and  
24 the capacity that we have is distributed effectively.  
25 Because as I look in trying to do the whole blight

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1 program and actually doing that project with staff  
2 who's only here actually in the office physically about  
3 a day and a half a week, so that's quite incredible for  
4 a project that's as big and as important to the  
5 community.

6 And just access to data. You know, just to  
7 let you know, some of the issues that I'm being  
8 confronted and to the extent that you can put your wise  
9 heads around some of these issues. We talked about  
10 promoting Pontiac business, you know, with these  
11 businesses that we have.

12 Incredibly enough, as we were trying to do a  
13 business directory, I asked could I have a list of the  
14 Pontiac businesses that were licensed, only to be told,  
15 "We don't have such a list." And I thought that was  
16 incredible. You know, any business owner with a, you  
17 know, used computer, <sup>will</sup> with generate a list of their  
18 clients or clientele or whatever.

19 So actually, we went to Lansing that those  
20 28 -- that list of 2,500 businesses is something that  
21 we -- the Transition Committee went to Lansing and got  
22 and said, "Give us a list of the businesses in  
23 Pontiac." And they did that. So right now, what we're  
24 trying to do with a list is to make sure that all those  
25 are active businesses. But that's just access to data.

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1 But in terms of what I need to do on a  
2 day-to-day basis is a factor. The fact that one of the  
3 things in the demolition -- in the blight process is

4 that it's not only structural blight that we want to be  
5 concerned about but also the nonstructural blight. And  
6 that's the lots with overgrown grass and weeds and  
7 refuse, debris and dumping and all those kinds of  
8 factors.

9 And I have -- one of the ways we had  
10 leverage, you know, in our limited budget is to go out  
11 and get volunteers, nonprofit groups that are willing  
12 to help us. I have nonprofit groups that are lined up  
13 to help with this nonstructural blight. I can't get a  
14 list of the lots we have that are vacant that we have  
15 grass to mow. I mean, that's incredible to me.

16 So as we talk about allocation of staff, I  
17 think that's something I need to ask for your support  
18 but work with the City Administrator in making sure the  
19 necessary things get done so I can work effectively and  
20 efficiently to help the City in the areas that you've  
21 given me responsibility for. Thank you.

22 THE CHAIRPERSON: Okay. Thank you, Mayor.

23 You had your time.

24 MR. NAZARKO: Oh.

25 THE CHAIRPERSON: No, no. I'm kidding. Go

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2 MR. NAZARKO: I just wanted to clarify  
3 something for the Board that I hear the Mayor saying  
4 that the allocation of staff and it looks like we are  
5 asking for additional staff. Let me be perfectly  
6 clear. This is not an additional staff that we're  
7 asking for. We're asking to perform a function that  
8 has been neglected for the last umpteen years, 20 years  
9 at least but completely ignored the last six.

10 Meaning that if you have \$8 million  
11 receivable that should be paid to the City of Pontiac,  
12 whomever drafted the contract with the income tax  
13 vendor left this thing out. So I'm not saying to add  
14 the staff. And I totally agree with Mr. Sawdon that we  
15 have three alternatives, A, collection agency, B our  
16 credit vendor, C, an employee of the City of Pontiac.

17 Whichever option makes more financial and  
18 logical sense, we'll go with that. But this is not a  
19 an additional staff or allocation of staff, you know,  
20 with the City Hall. This has been a function of the  
21 City Government since 1962 when we have the -- since ~~we~~  
22 ~~have~~ the income tax ordinance.

*we've had*

23 THE CHAIRPERSON: The position I left, it was  
24 not filled.

25 MR. NAZARKO: Yes.

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1 THE CHAIRPERSON: Thanks. We will move on  
2 now to Mr. Sobota's very short report.

3 MR. SOBOTA: Speaking of positions that you  
4 left Mr. Schimmel that were unfilled, as you recall  
5 just before your departure, we were that (indicating)  
6 close to hiring a full-time City Treasurer and we were  
7 unable to close the deal. So what you did is you  
8 provided us an alternative staffing plan for the  
9 Treasurer's office. Instead of having a three-person  
10 staff with a full time treasurer, a full-time deputy  
11 treasurer and a cashier, we will have a four-person  
12 staff with a full-time deputy treasurer, a full-time  
13 treasury analyst and a two staff members to assist with  
14 the cashiering and the telephones.

15 The individual that was serving as the  
16 treasury analyst resigned her position back in  
17 February, I believe it was. And since this time,  
18 Mr. Nazarko and I and actually, quite honestly, prior  
19 to that when he was first hired, we have been  
20 discussing about the potential staffing in the  
21 Treasurer's office and what the benefits and the  
22 detriments were to the current staffing situation and  
23 what the benefits and the detriments would be to the  
24 preferred staffing situation, which was Mr. Schimmel's  
25 original plan.

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1           And prior to Mr. Schimmel's departure, he did  
2 authorize that we have a full-time City Treasurer with  
3 a total compensation package of \$75,000, provided that  
4 there was a three-person staff.

5           We are aware that there will be some  
6 resignations from staff upcoming before the end of the  
7 year. And taking that into consideration and the fact  
8 that we really truly believe that we need a full-time  
9 cash management person to be able to invest the surplus  
10 cash that we have on hand in interest-bearing accounts,  
11 monitoring the cash flow on a regular basis and  
12 essentially being an on-site City Treasurer in the  
13 Treasurer's Office to address the concerns of the  
14 public as they come in, we have decided that we would  
15 like to proceed with the original staffing of the  
16 Treasurer's office and implement that three-member  
17 staff and, therefore, go out to search for a full-time  
18 City Treasurer for a total compensation package not to  
19 exceed \$75,000.

20           I do not believe that this action to  
21 advertise and to revert to the original staffing plan,  
22 as Mr. Schimmel had left us in his financial and  
23 operating plan, requires any action by the TAB.  
24           However, what it will require is final confirmation of

25 the actual compensation package.

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1 A job description was previously approved by  
2 the TAB several months ago with the other job  
3 descriptions in the City. So that is an avenue that we  
4 are going to be exploring relatively soon.

5 Mr. Nazarko will -- has identified an account  
6 that we will be able to deposit some of the City's  
7 surplus funds in to gain in some interest revenue. But  
8 overall, we honestly believe that, although we will be  
9 able to cover this position in the existing budget and  
10 in the future budgets, that is a cost neutral because  
11 of the changing in the staffing, this person will more  
12 than pay for themselves with the additional income that  
13 the City will be receiving. So hopefully, this is some  
14 additional revenue for the City.

15 Second, we met with the Court in the first  
16 quarterly meeting a couple of weeks ago to discuss some  
17 issues that we have. We asked the courts to examine  
18 their approved leave policy and justify some of the  
19 accruals that are being presented on the City's  
20 financial statements.

21 We have reason to believe that there are some  
22 errors in terms of the calculation of the accrued time

23 and that was identified by our auditors in the last  
24 audit. So we've asked the Court to examine those  
25 long-term liabilities.

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1 Second, we have presented to the Court an  
2 option to use the Treasury Department as a collection  
3 service for outstanding fines and forfeitures owed to  
4 the City under Public Act 316 of 1993. The Court  
5 presented to us that they are presently under the  
6 agreement but I think it was an old agreement that they  
7 were under and these are the residuals. But that's  
8 something more that they're going to be looking into.

9 Number three, we also discussed some other  
10 financial management procedures to try and bring the  
11 financial management procedures more in line with other  
12 communities that have a court of the same class as the  
13 City of Pontiac. We have a strange situation here in  
14 Pontiac where our court operates out of a separate  
15 fund. They keep their own books, they provide us  
16 checks once or twice a year, in terms of the revenue  
17 collections. So we're trying to normalize those  
18 procedures. So those discussions are occurring.

19 And finally, we discuss the impact of the  
20 ruling in -- of the holding in People versus

21 Cunningham. The Court decided in that -- the Supreme  
22 Court decided in that particular case that the district  
23 courts are not allowed to assess costs to defendants  
24 who are convicted unless the ordinance or law that the  
25 Defendant was convicted under authorizes those costs to

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1 be assessed.

2 The City stands to lose, as this happened  
3 last year, \$75,000 in collected revenue and another --  
4 and with a possible 125,000 that had been assessed. So  
5 you've got about a \$50,000 discrepancy between what was  
6 assessed and what was actually collected by the City.

7 There has been some talk of considering  
8 changing some of the City's ordinances in prosecuting  
9 ordinances under City -- or prosecuting violations  
10 under City ordinance so that the City could recover  
11 those costs.

12 I know that, when Mr. Schimmel was here, he  
13 was presented with that same option and decided against  
14 amending City ordinances and prosecuting because of the  
15 cost that the City would be incurring that may or may  
16 not have been recoverable. But that is a discussion  
17 that the City Council will be engaging with us this  
18 evening.

19 I know they have a list of ordinances that  
20 they would like the City to begin -- or a list of  
21 crimes they would like the City to begin prosecuting so  
22 that we could potentially collect these additional  
23 fees. But before those ordinance are presented, a full  
24 cost benefit analysis will be conducted.

25 There are some crimes at this point in time

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1 where I would really need to have solid arguments made  
2 and there's others that I'm definitely open to, in  
3 terms of considering.

4 The third item is that we have made a  
5 significant change on the City's web page. We now have  
6 a page -- a link off the home page for business and  
7 development that goes directly to all of the  
8 information that a business will need to consider  
9 opening in the City of Pontiac.

10 We have added the map of our ~~Op~~<sup>OPRA (all caps)</sup>ra districts.

11 And, once the IDD that was just approved by the TAB is  
12 formally reestablished and amended, we will have a map  
13 of all of the existing IDDs in the City of Pontiac. So  
14 any developer that wants to come in and is looking for  
15 a tax abatement would know exactly where the  
16 permissible districts are.

17           We have added flow charts, permanent  
18 applications have been online. And before the end of  
19 the calendar year, we fully anticipate having the  
20 ability for the developers to both apply for and pay  
21 for permits online. So that one-step shop is really  
22 going to be working here in the City of Pontiac.

23           Along the same lines, I have asked the  
24 Building Department, since we just received the check  
25 and lift last week Monday from the Liquor Control

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1   Commission, to begin a thorough review of all  
2 businesses that have a liquor license in the City of  
3 Pontiac.

4           And the preliminary report this morning  
5 indicated that we have a handful of businesses that are  
6 operating without a business license and we have either  
7 four or five businesses that are selling liquor in  
8 violation of the City's Zoning Ordinance.

9           Now, the Liquor Control Commission changed  
10 their procedures a couple of years ago and now they  
11 issue liquor licenses upon application to the LCC. And  
12 if there is any issue with the local community, the  
13 local community must enforce after the liquor license  
14 has been issued.

15           So there is a potential that we may be  
16 engaging in some costly legal action with these  
17 businesses that have been issued a liquor license by  
18 the LCC but are improperly operating in the district  
19 that they have established themselves.

20           And finally, from an administrative  
21 standpoint, I have asked all of the department heads to  
22 identify a list of what our considered open items that  
23 they are working on. I have also compiled a list of  
24 items that I believe each department needs to be paying  
25 attention to. So we will be consolidating those lists

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1    over the -- after the Labor Day weekend and I'm  
2    thinking that this number is now between 125 to 150  
3    different projects that are either short-term or  
4    long-term that we need to continue to concentrate on  
5    and to address. Granted, that list will always  
6    probably be around that number and constantly changing.  
7    But at least we'll have an idea what's out there so  
8    that nothing falls off the course and the track like  
9    had happened in previous years.

10           In regards to the staffing for the income tax  
11 administrator position, we did have a discussion with  
12 the Mayor a couple of months ago regarding this

13 position and information had been shared with the City  
14 Council. There was also a discussion that we had on  
15 Friday regarding this and I believe there was a  
16 misunderstanding in some direction and the  
17 recommendation that Mr. Nazarko and I had made to the  
18 Board. So that final discussion was conducted this  
19 past week.

20 So unless anyone has any other questions,  
21 that concludes my report.

22 THE CHAIRPERSON: Okay. Thank you. Any  
23 questions?

24 MR. SAWDON: None.

25 THE CHAIRPERSON: Okay. We'll move into

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1 Public Comment.

2 Mr. Cline will be the timekeeper. Do we have  
3 a list of the names?

4 MR. CLINE: Yes, we do. Right here.

5 THE CHAIRPERSON: All right. We have three  
6 individuals.

7 And Linda Hasson, we'll start with you.

8 MS. HASSON: Hi. I'm here today because I  
9 have some concerns. I'm wondering -- I'm reading here  
10 in the Constitution under Section 24, Financial

11 Benefits, Annual Funding. "Financial benefits arising  
12 on accounts of service rendered in each fiscal year  
13 shall be funded during the year and such funding shall  
14 not be used for financing unfunded accrued  
15 liabilities."

16 I'm wondering if they want to do this 420 for  
17 accrued liabilities. Because right now we have a lot  
18 less employees to put into this fund. And so I was  
19 wondering because I keep hearing, you know, that we're  
20 responsible for this. But I thought that it was  
21 supposed to be accrued that year. The money should be  
22 there.

23 That is one of the reasons why I am  
24 interested in looking into -- the City lacking into  
25 MERS because that may help to balance this out, to make

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1 sure things are done a certain way. I -- example, the  
2 Board, you, the TAB, turned around and stated, "No  
3 study." It turned around -- the GERS Board changed it,  
4 did the study anyway, stating that they believe they  
5 could do it.

6 I don't have the money to pay for people who  
7 were laid off in 2009, retroactive, for early  
8 retirement -- or retirement. So we need to get

9 something going on better than what we have going on  
10 now. And so I'm asking, also, our -- my Councilman  
11 wanted to change an ordinance. Who has the power, if  
12 you could show me, in Act 436 to change the ordinances,  
13 who has the EM's power, if you could show that to me.  
14 Thank you.

15 THE CHAIRPERSON: Thank you, Ms. Hasson.

16 And our next individual is Billie Swazer.

17 MS. SWAZER: I choose not to speak at this  
18 time. Thank you.

19 THE CHAIRPERSON: Okay.

20 MS. SWAZER: I have nothing to say. Thank  
21 you.

22 THE CHAIRPERSON: And Councilman Carter.

23 MR. CARTER: Good afternoon. I have a few  
24 questions. One was I believe the solution was already  
25 hand-delivered, the MERS issue, that I believe that if

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1 we with the MERS and I believe somebody in this TAB  
2 Board should be able to inform the citizens how much  
3 the retirees would benefit and save by going with MERS  
4 than -- than not.

5 Also, I believe going with MERS -- even  
6 though I don't like the idea but I believe going with

7 MERS would also save the taxpayers from fraudulent  
8 lawsuits that could actually be generated.

9 The other thing I'm looking at is that I  
10 looked into it. My basic discovery is that GERS has  
11 only performed four times in the last eleven years.  
12 And during that time, I don't believe any  
13 profit-sharing checks or 13 checks should be issued on  
14 years that no revenue will be generated, no profits  
15 were generated.

16 Also, I looked into the dealing with the AG,  
17 Frank Kelly's, opinion about the 420 transfer. And  
18 through my conclusions, it did appear that the  
19 employees and the City had to be involved in the  
20 planning the year of. If -- ironically, the City  
21 hasn't been involved in the last 15 years. So I  
22 believe it's a mute subject that is -- that it's not  
23 even viable to even talk about a 420, it shouldn't even  
24 be allowed to happen, it can't happen.

25 The other thing I looked at is is it possible

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1 that, since the GERS Board utilized some public revenue  
2 in the very beginning to fund their activity, by moving  
3 out to Auburn Hills, are they no longer a public entity  
4 that the City of Pontiac should be -- or the citizens

5 should be liable for?

6 It appeared to me that they got involved in  
7 high-risk investment and not -- and not sensible  
8 interest ratings like bonds and infrastructure like  
9 most people would do. So by involving themselves in  
10 high-interest investment and deciding to relocate to  
11 another City, I believe the public should not be  
12 responsible for any lawsuits or anything that they want  
13 to bring up. With that, that is all my comments.  
14 Thank you.

15 THE CHAIRPERSON: Thank you. That ends the  
16 comment period.

17 Councilman Carter, I guess --

18 MR. CARTER: Yes?

19 THE CHAIRPERSON: I've said this so many  
20 times before. But, as you know, my plan on healthcare  
21 was that go to MERS and nobody would have missed a  
22 nickel of getting their healthcare. Don't seem to have  
23 ever have been able to get that message across. I'm in  
24 agreement with you, 420 will never work. All the time  
25 and money that's being spent on that is a total waste,

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1 in my opinion. And I'm concerned that the -- the local  
2 Pension Board passed a resolutions to meet with MERS

3 and has never done so, to my knowledge, never was  
4 serious. It was -- it was very disturbing. And -- but  
5 we don't seem to be able to get to the retirees. I  
6 think they're being fed a whole lot of misinformation.

7 PATRICE WATERMAN: I think you are, too.

8 THE CHAIRPERSON: So that's my comment on  
9 that. Maybe others have a comment as well.

10 MR. CARTER: One point of clarification I ask  
11 is, coming up in October, the <sup>Obamacare</sup> ~~Obama-Care~~ comes up. Is  
12 there anyone who is not entitled to Medicare, eligible  
13 to be within the <sup>Obamacare</sup> ~~Obama-Care~~, since it is a national  
14 law?

15 THE CHAIRPERSON: Well, I'm -- don't drag me  
16 into that area.

17 MR. CARTER: Thank you.

18 THE CHAIRPERSON: I don't think I know the  
19 answer.

20 MR. CARTER: Thank you.

21 THE CHAIRPERSON: I think I responded.

22 PATRICE WATERMAN: Did you speak?

23 MS. SWAZER: I didn't have nothing to say.

24 THE CHAIRPERSON: So I believe that concludes  
25 the comment period. And the next -- Board Comments

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1 would be next. I guess I made mine. Do you have any?

2 MR. SAWDON: I have none.

3 MR. BURGESS: I have none.

4 THE CHAIRPERSON: You have none. That ends

5 Board Comments. I'll entertain a motion to adjourn.

6 MR. SAWDON: So move.

7 MR. BURGESS: Second.

8 THE CHAIRPERSON: All in favor, say "Aye".

9 BOARD MEMBERS: Aye.

10 THE CHAIRPERSON: Meeting is adjourned.

11 (Meeting adjourned at 2:24 p.m.)

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CERTIFICATE

I, Mona Storm, do hereby certify that I have recorded stenographically the proceedings had and public comment taken in the meeting, at the time and place hereinbefore set forth, and I do further certify that the foregoing transcript, consisting of (68) pages, is a true and correct transcript of my said stenographic notes.

\_\_\_\_\_  
Date

\_\_\_\_\_  
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