

DETROIT FINANCIAL REVIEW COMMISSION

REGULAR MEETING

Monday, July 27, 2015 at 2:30 p.m.
Cadillac Place

Conference Room L-150
3062 W. Grand Boulevard
Detroit, MI 48202

MINUTES

APPROVED – AUGUST 24, 2015

I. Call to Order

Nick A. Khouri indicated he will be participating via teleconference and designated William Martin as Chair for the meeting.

Mr. Martin called the meeting to order at 2:35 p.m.

II. Roll Call

Members Present – 7

Darrell Burks (via teleconference)
Stacy Fox (via teleconference)
Lorron James
Brenda Jones
Nick A. Khouri (via teleconference)
William Martin
Tony Saunders

Members Absent - 2

Mike Duggan
John Roberts

Let the record show that 7 Commission members were present; 4 Commission members participated in person and 3 Commission members participated via teleconference. A quorum was present.

III. Approval of Minutes

Motion made to approve the draft minutes of the June 22, 2015 FRC meeting as presented.

Motion moved and supported, the Commission unanimously approved the minutes of the June 22, 2015 FRC meeting as presented.

7 ayes, 0 nays

IV. Administrative Reports

The City's Chief Financial Officer John Hill invited the Chief Deputy CFO/Finance Director, John Naglick, to give a brief overview of the City's FY 2014 Comprehensive Annual Financial Report (CAFR), which was finalized in June 2015. Mr. Naglick indicated the FY 2014 CAFR is for the fiscal year ending June 30, 2014, which was during the City's active bankruptcy period. The FY 2015 CAFR, which the City is getting underway now, will reflect the City's post-bankruptcy financial position. The City's independent auditor issued an unmodified opinion for the City's FY 2014 CAFR, meaning the financial statements fairly present the City's financial position as of June 30, 2014.

Mr. Naglick noted the independent auditor's report included three "Emphasis of Matters" paragraphs, which highlight the following matters related to the City's financial statements: (1) the City's bankruptcy filing, (2) the adoption of new Governmental Accounting Standards Board (GASB) pronouncements, and (3) the fair value of pension investments. The independent auditor also issued a report on the City's Internal Control over Financial Reporting, which noted three material weaknesses: (1) Financial Closing and Reporting; (2) Reconciliations, Transaction Processing and Account Analysis; and (3) Information Technology controls. Mr. Naglick noted the City is implementing new IT systems and departmental restructurings to correct these weaknesses.

The FY 2014 CAFR is being used for the syndication of the City's exit financing and the Great Lakes Water Authority transaction. Mr. Martin asked about the status of the exit financing syndication. Mr. Naglick stated there will be investor presentations on August 11 and August 13. The bond rating will be released tonight or tomorrow. The public offering will be August 19. John Hill said the City reduced the exit financing debt prior to syndication by \$30 million, from \$275 million down to \$245 million.

John Hill next invited Deputy CFO Pam Scales to give a brief update on the FY 2015 Preliminary Year-End Results, noting that closing adjustments are still being made. Ms. Scales stated the City has a projected \$67 million General Fund surplus, primarily due to savings from staff vacancies and surplus contingency funding, partially offset by lower charges for services revenue and higher supplies and other expenses. This projection does not include a \$58 million surplus for restructuring due to lower bankruptcy professional fees, \$30 million of which will be used to reduce the City's exit financing debt. Thus, there is an additional \$28 million available if needed for year-end adjustments.

The City's Human Resources Director, Denise Starr, briefed the Commission on the restructuring of the Human Resources (HR) Department. She stated that

employees handling payroll and certain employee benefits function are moving to the Office of the Chief Financial Officer (OCFO). HR will have six divisions going forward: Recruitment; Employee Services; Chief Learning Officer; Classification and Compensation; Policy, Planning, and Operations; and Labor Relations and Benefits. The organizational structure has been defined, 90% of the job specifications have been completed for all positions, internal and external candidates will be interviewed for the top level positions, and it is anticipated that these positions will be filled by mid-August. Afterward, interviews will be conducted for the Professional and Administrative positions.

V. Consideration of Proposed FY 2016 Budget Amendments

Approval of Resolution 2015-11 – Budget Amendment No. 2016-1 Office of the Chief Financial Officer (OCFO)

John Hill gave a brief overview of the establishment of the OFCO, which centralizes all City financial management functions. He stated that the finance positions and associated funding will be transferred from various City departments to the OFCO via this budget amendment. The amendment is budget-neutral as all changes in appropriations and revenues offset one another.

Motion made to approve Resolution 2015-11 – Budget Amendment No. 2016-1-Office of the Chief Financial Officer as presented.

Motion moved and supported, the Commission unanimously approved Resolution 2015-11 as presented.

7 ayes, 0 nays

Approval of Resolution 2015-12 – Budget Amendment No. 2016-2 Detroit Water and Sewerage Department (DWSD)

Nickie Bateson, the DWSD CFO, gave a brief overview of the proposed amendment, which aligns the City budget with the DWSD budget adopted by the Board of Water Commissioners. The City budget included a placeholder in the FY 2016 budget for DWSD, and this amendment reflects DWSD's organizational optimization and development of new cost centers. The amendment is budget-neutral as all changes in appropriations and revenues offset one another.

Motion made to approve Resolution 2015-12 – Budget Amendment No. 2016-2-Detroit Water and Sewerage Department as presented.

Motion moved and supported, the Commission unanimously approved Resolution 2015-12 as presented.

7 ayes, 0 nays

Approval of Resolution 2015-13 – Budget Amendment No. 2016-3 City Council and Police Department Citizens Radio Patrol

City Councilman Scott Benson recognized the efforts of the Citizens Radio Patrol volunteers throughout the city. The proposed budget amendment transfers funding and administrative responsibility for Citizens Radio Patrol from the Police Department back to City Council.

Motion made to approve Resolution 2015-13 – Budget Amendment No. 2016-3-City Council and Police Department Citizens Radio Patrol as presented.

Motion moved and supported, the Commission unanimously approved Resolution 2015-13 as presented.

7 ayes, 0 nays

VI. Consideration of Contract Approval Requests

Public Act 181 of 2014 requires the Financial Review Commission to review and approve contracts meeting any of the three following criteria: 1) the contract exceeds \$750,000; 2) the contract has a term exceeding 2 years; and 3) multiple contracts within a single entity that exceed \$750,000 in aggregate.

Mr. Martin invited Boysie Jackson, the City’s Chief Procurement Officer, to address any questions on the 27 contract approval requests. All 27 contracts have been reviewed by the FRC Advisory Subcommittee on Contracts and Procurement.

Brenda Jones noted Detroit Water and Sewerage Department contracts are not all submitted to City Council for approval.

Motion made to approve all 27 Contract Approval Requests from the City of Detroit as presented.

Motion moved and supported, the Commission unanimously approved the 27 Contract Approval Requests from the City of Detroit as presented.

7 ayes, 0 nays

VII. Public Comment

John Lauve, Detroit, MI

VIII. Next Meeting Date

Mr. Martin notified the public that the next Financial Review Commission meeting is scheduled for Monday, August 24, 2015 - 2:30 p.m. at Cadillac Place, 3062 W. Grand Boulevard, Suite L-150, Detroit, MI 48202.

IX. Adjournment

Motion made to adjourn. Motion moved and supported, the Commission unanimously approved the motion to adjourn.

7 ayes, 0 nays

There being no further business, the meeting adjourned at 3:20 p.m.