

City of Ecorse

Receivership Transition Advisory Board Meeting Minutes

Tuesday, January 10, 2017

Ecorse City Hall

Council Chambers

Albert B. Buday Civic Center

3869 West Jefferson

Ecorse, Michigan 48229

**RTAB MEMBERS PRESENT:**

ROBERT BOVITZ

JOAN BROPHY

**MEMBER ABSENT:**

JEFF SYKES

**ALSO PRESENT:**

PATRICK DOSTINE

Michigan Department of Treasury

Reported by:

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**Called to order at 9:09 a.m.**

**Tuesday, January 10, 2017**

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MR. DOSTINE: Mr. Chair, I think we can get going.

MR. BOVITZ: I'd like to call the meeting of the City of Ecorse Receivership Transition Advisory Board to order.

Roll call, please?

MR. DOSTINE: Jeff Sykes. Jeff Sykes has asked to be excused. Joan Brophy.

MS. BROPHY: Here.

MR. DOSTINE: Rob Bovitz.

MR. BOVITZ: Here.

MR. DOSTINE: You have quorum, Mr. Chair.

~~MR. VAN de GRIFT: Joan Brophy.~~

~~MS. BROPHY: Here.~~

MR. BOVITZ: Okay, a reminder to the audience, if you intend to speak during the public comment portion of the meeting, it'll be necessary for you to sign the sheet located at the podium.

At this point, would ask for approval of the minutes from the RTAB meeting of December 13th, 2016.

MS. BROPHY: Would you like me to make a motion to approve the agenda first, and then --?

1 MR. BOVITZ: Yes, my first meeting and I'm  
2 already -- strike that. Okay.

3 I'd like to entertain a motion to approve the  
4 agenda as presented.

5 MS. BROPHY: So moved.

6 MR. BOVITZ: Support.

7 Any discussion?

8 (No response)

9 MR. BOVITZ: All in favor, aye. Aye.

10 MS. BROPHY: Aye.

11 MR. BOVITZ: Opposed, same sign.

12 (No response)

13 MS. BROPHY: Then I will make a motion to  
14 approve the December 13th, 2016, RTAB minutes as  
15 presented.

16 MR. BOVITZ: I support. Any discussion?

17 (No response)

18 MR. BOVITZ: All in favor, aye. Aye.

19 MS. BROPHY: Aye.

20 MR. BOVITZ: Opposed, same sign.

21 (No response)

22 MR. BOVITZ: Old business, there is no old  
23 business.

24 New business, the approval of resolutions and  
25 ordinances from the city council meetings. At our last

1 RTAB meeting, we approved Resolution 337-16, of the  
2 November 22nd meeting, which is Attachment 2.

3 At this point, I'd like to entertain a motion to  
4 approve the remaining resolutions from the regular city  
5 council meeting of November 22nd, 2016.

6 MS. BROPHY: So moved.

7 MR. BOVITZ: Support. Any discussion?

8 (No response)

9 MR. BOVITZ: All in favor, aye. Aye.

10 MS. BROPHY: Aye.

11 MR. BOVITZ: Opposed, same sign.

12 (No response)

13 MR. BOVITZ: Motion passes.

14 The resolutions from the city council meeting of  
15 December 6th of 2016. I'll entertain a motion to approve  
16 the resolutions from the regular city council meeting of  
17 December 6th, 2016.

18 MS. BROPHY: I'll move to approve that.

19 MR. BOVITZ: I'll support. Any discussion?

20 (No response)

21 MR. BOVITZ: All in favor, aye. Aye.

22 MS. BROPHY: Aye.

23 MR. BOVITZ: Opposed, same sign.

24 (No response)

25 MR. BOVITZ: Then the December 20th meeting fell

1 outside our regular scheduled approval process, so at this  
2 point, we can only approve the claims and accounts from  
3 the regular city council meeting draft minutes, of  
4 December 20th, 2016. I'll entertain a motion to accept  
5 those claims and accounts.

6 MS. BROPHY: I'll move to approve the claims and  
7 accounts from the December 20th, '16 minutes.

8 MR. BOVITZ: Support. Any discussion?

9 (No response)

10 MR. BOVITZ: All in favor, aye. Aye.

11 MS. BROPHY: Aye.

12 MR. BOVITZ: Opposed, same sign.

13 (No response)

14 MR. BOVITZ: Item B, the city administrator  
15 items, that's Attachment 5. First of all, the approval of  
16 city council minutes we addressed in new business. The  
17 stabilization funds, information only. I'd like to call  
18 on acting city administrator, Mr. Flaten, to kind of  
19 comment on what the status of that is?

20 MR. FLATEN: We got more than we expected.  
21 That's the good news. What we did is, we took \$1.2  
22 million and put it into the pension funds, which will help  
23 lower next year's liability for us. Hopefully. And  
24 because we got as much as we did, it works well with our  
25 budget for this year.

1                   But do we expect that kind of money for next  
2 year? Not at this point, I don't. But there's something  
3 good in the wind down the line, we'll accept it. But you  
4 know, we got almost \$6 million, so. A little over \$6  
5 million. We're doing well. The majority went to the  
6 general fund, some to the rubbish, library, water, and  
7 bond debt.

8                   MS. BROPHY: So Mr. Chair, I wanted to find out  
9 if the five year budget projections -- would we be  
10 updating those, based on the --

11                  MR. FLATEN: Yes, that's coming. Tim gave me a  
12 copy; I'm currently reviewing that copy that he sent to  
13 me, and doing comparisons with the budget and the revenue  
14 expense report, through December 31st. But there will be  
15 a change coming on the five year projection.

16                  MS. BROPHY: Okay.

17                  MR. BOVITZ: You're also looking through the  
18 minutes of the December 20th meeting, about the resolution  
19 that city council adopted, regarding the \$1.2 million  
20 payment. This is related to that?

21                  MR. FLATEN: Right.

22                  MR. BOVITZ: But I remember seeing something --  
23 I was trying to find it, where MERS rejected our original  
24 proposal, they wanted cash only? Was it, what was that  
25 regarding?

1 MR. FLATEN: We thought we could make a deal  
2 with MERS, but MERS doesn't make deals. They want cash  
3 only. We thought we could trade off some of our bonds or  
4 grant them the bonds in lieu of a payment, cash payment.  
5 But they would not accept.

6 MR. BOVITZ: And, in the past meetings, we've  
7 asked the state treasury if there could be any assistance,  
8 maybe use their leverage at their level. Is there any  
9 authority that the state can give, in this situation, as  
10 far as you're concerned?

11 MR. FLATEN: Not that I'm aware of. If they  
12 want to sit down and discuss that, Treasury, as well as  
13 MERS, I'd be more than happy to do it.

14 MR. BOVITZ: And have you talked with other city  
15 administrators, regarding the same issues, especially with  
16 our neighboring cities like Allen Park, who may have the  
17 same issue?

18 MR. FLATEN: Got the same issue. Maybe not as  
19 much, but they've, too, have been told that it's a cash  
20 only.

21 MR. BOVITZ: So the good news, on Attachment 5A,  
22 which was the spreadsheet, that will -- it's a short term  
23 fix, at least it buys us some time.

24 MR. FLATEN: Sure. It buys us some time.

25 MR. BOVITZ: And how are our union

1 representatives --?

2 MR. FLATEN: We're in negotiations now with  
3 fire, and the police officers. We met with the police  
4 officers yesterday. We did not discuss any economic  
5 issues; we indicated to them that we're going to hold off  
6 on any economic issues at this time. We're going to clean  
7 up what's in their agreement, that really needs to be  
8 addressed, which are non-economic items.

9 But in the overall, everything is going to be  
10 economic. But we have to really look, I think -- I, you  
11 probably don't have the spreadsheet that Tim did for the  
12 five year projection as yet. But when you get that, I  
13 think you're going to see that we still have the  
14 difficulty of trying to get to a balanced budget and so  
15 forth. And we explained that to the police officers  
16 yesterday.

17 MR. BOVITZ: I just wanted to make sure that the  
18 retirees and the current employees, don't perceive a  
19 probable unfunded liability, where they don't want to come  
20 to work for the City of Ecorse, if they can't keep their  
21 retirement benefits.

22 MR. FLATEN: Well, that's the thing. And I  
23 mean, the other problem that we have is the post-  
24 employment benefits that have to be -- that has to be  
25 reviewed, and looked at.

1 I know that in the session prior, between  
2 December 1st and Christmas, the state legislature wanted  
3 to put together a plan where 20 percent of the retirees'  
4 premium would be paid by those retirees, and the other 80  
5 percent would be the obligation of the city. And in some  
6 cases, their offset on that 80 percent is also done,  
7 because employees contribute to their medical benefits.

8 And -- but that legislation fell by the wayside.  
9 There was a lot of concern by the city managers  
10 association, a lot of concerns by various municipalities,  
11 because police officers and the firefighters are exempt  
12 from some legislation. So they're trying to work that  
13 out, and when I look at it, our premiums are, for  
14 retirees, are quite high.

15 When you take 20 percent of that, if you've got  
16 a retiree, that has been -- with Ecorse, that has been  
17 retired for a good number of years, it's quite possible  
18 that his 20 percent of medical is going to equal his  
19 benefit. And that's got to be addressed, too.

20 MR. BOVITZ: So there's nothing we can do with  
21 the retirees who were on the books when we started this  
22 process. I know with the municipal employees, I believe  
23 it was AFSCME, that handles there.

24 And so with the new hires, in the last few  
25 years, with normal attrition of employees leaving, and are

1 replacing them with either part time or non-union  
2 employees, a lot of the current unfunded liability's going  
3 to be a lot less --

4 MR. FLATEN: Right.

5 MR. BOVITZ: Which I'm sure Mr. Sadowski's  
6 factoring that into his comprehensive worksheets.

7 MR. FLATEN: I, he has to.

8 MR. BOVITZ: One thing you can't determine is  
9 how long someone is going to live and draw on benefits.

10 MR. FLATEN: No. That's the problem. I've met  
11 with our medical benefits people, especially HAP. Because  
12 I've looked at the premiums that we're paying for retirees  
13 are, in a lot of cases, greater than what we're paying for  
14 active employees, and I have a problem with that. And I  
15 asked for an explanation on why that is.

16 The underwriters say, well, when you get older,  
17 you have more need for medical. And I said well, that's  
18 fine, I says, but not all of our retirees are what you  
19 would consider old. Some are 55, some are 60. They're  
20 not approaching those days where you spend every Wednesday  
21 at the doctor's office. So I would like to see some kind  
22 of adjustment in our retirees' -- or, in our retirees'  
23 medical benefits.

24 The premium -- because it's just, absolutely  
25 absurd, the way they're figuring this out. In fact, I'll

1 give you one good example. We have a firefighter, whose  
2 wife worked here. She retired, she kept the benefits, he  
3 stays on here without, you know, he's not -- we're not  
4 assigned a benefit for him. He's covered under her plan.  
5 Her plan is \$1,000 more than it would be if we were to  
6 cover him and his wife. Now, that does not make sense.  
7 And she's only, what, not quite in her mid 50's yet.

8 MR. BOVITZ: And could very well go another 30,  
9 40, years.

10 MR. FLATEN: Mm-hm. But they can't explain,  
11 other than the fact that they're retired, they're older,  
12 and when I addressed that issue with them, they had  
13 nothing to say. They couldn't understand it themselves.

14 So what I'm thinking is, you know, and it  
15 doesn't help us in terms of negotiating a contract.  
16 Because if you can find an individual that's married, and  
17 he can -- he or she can switch to their spouse's coverage,  
18 that saves us money, and that gives us an opportunity to  
19 negotiate better with them.

20 But when it's like this, that's not going to  
21 happen. Because they're going to want to come back off of  
22 their spouse's retirement and come back on ours. And it  
23 just adds a few thousand dollars to our cost.

24 MR. BOVITZ: So at least the discussion's  
25 ongoing, and we have good news for today. But then the

1 other related, are the social security benefits. I see it  
2 all the time as a CPA, and with divorces, and remarriages,  
3 and you can have a, like one spouse did with Johnny  
4 Carson, for instance, where he has three former spouses  
5 who qualify for his social security benefits on his  
6 account. And what that -- what it does to the the  
7 unfunded liability. And I'm sure the same thing with  
8 pensions, and health benefits.

9 MR. FLATEN: That's true.

10 MR. BOVITZ: So, any other comments or  
11 discussion?

12 MS. BROPHY: No.

13 MR. BOVITZ: Okay, Mr. Flaten, could you comment  
14 on the approval of the sale of 3715 West Jefferson? We  
15 took that outside of context of our last meeting, to  
16 approve it in advance of the city council and we had --  
17 did that go through?

18 MR. FLATEN: I'm going to leave that to Terri.  
19 I know my limitations.

20 MR. BOVITZ: All right. You can be seated, sir.

21 MS. CAPRA: The mayor and council approved the  
22 sale. I've been in discussion with the potential  
23 purchaser; he is due in today. He has signed some  
24 paperwork, he's bringing me a deposit check.

25 The holdup's been his partner's dad is in

1 hospice, so, and it doesn't look good, so that's kind of  
2 been the hold. But he -- we're hoping to move forward and  
3 have it closed, probably 60 to 90 days.

4 MR. BOVITZ: The 40,000 plus all the extra  
5 revenues we're going to get from the water and the  
6 inspection fees and so forth?

7 MS. CAPRA: Yeah, the water, the permits, the --

8 MR. BOVITZ: And if the -- if they can make it  
9 into senior citizen apartments, it's a win-win-win-win.

10 MS. CAPRA. Yes. I'm hoping. Got my fingers  
11 crossed.

12 MR. BOVITZ: Thank you. Any questions?

13 MS. BROPHY: No. All right, thank you. Yes,  
14 great.

15 MR. BOVITZ: Okay. The checks released,  
16 information only; there were no checks released outside of  
17 the normal context of the city operations that need  
18 approval by this RTAB. Then the approval of budget to  
19 actual, for October 16th -- Mr. Sadowski's not here to  
20 comment. Was there any question on the year to date, or  
21 the actual results of compared to budget?

22 (No response)

23 MR. BOVITZ: Mr. Flaten, did you have any  
24 comment on the current financial statement, that you'd  
25 like to address?

1 MR. FLATEN: I think we got -- council looked at  
2 it, the mayor's looked at it. There's no real questions  
3 at this time.

4 MS. BROPHY: I'll make a motion to approve the  
5 budget to actual report, for October 2016.

6 MR. BOVITZ: Support.

7 Any comment?

8 (No response)

9 MR. BOVITZ: All in favor, aye. Aye.

10 MS. BROPHY: Aye.

11 MR. BOVITZ: Opposed, same sign.

12 (No response)

13 MR. BOVITZ: Okay, the Resolution 350.16 was an  
14 item that occurred during a council meeting outside of our  
15 normal review period. The city manager is requesting to  
16 bring this item forward for early review. Mr. Flaten,  
17 could you please provide a summary of this item for the  
18 board?

19 MR. FLATEN: That is relative to the Dingell  
20 Building, in the park, that was destroyed. We had been  
21 negotiating with Detroit Edison on the gas side of the  
22 house for a long time, for quite some time. Finally  
23 reached resolution after having a floorplan drawn up by  
24 Hennessy, and approved.

25 We also had the cost associated with the

1 reconstruction of that. The initial answer from Detroit  
2 Edison is that they would cover \$121,000, because they  
3 took cost minus depreciation and so forth. We said that's  
4 totally unacceptable. That we gave them a cost initially  
5 of \$221,000, because I added a couple of things. Didn't  
6 expect them to pay for it, and it's something we could  
7 have picked up on our own if we wanted to; it may not be  
8 as much as 221.

9 We again met with the representative of Detroit  
10 Edison, and told them that we would like an agreement that  
11 would include a total cost of \$184,000 and change. That  
12 the items that are under the foundation, gas lines that  
13 are under the foundation, water lines, sewer lines, and  
14 electrical lines that were under that foundation.

15 It was determined, through the course of  
16 reconstruction of the facility, that those lines had been  
17 damaged in any way, that Detroit Edison will be  
18 responsible for the repair. And they agreed.

19 MR. BOVITZ: So this is ongoing, we've been  
20 talking about this for the last year, but basically the  
21 220 that you asked for, that probably included some  
22 architectural renderings, or engineering studies, that you  
23 would have picked up anyway?

24 MR. FLATEN: No, what that included was, we  
25 wanted a -- wanted to expand the footprint of the

1 building. And we wanted to put a area inside the building  
2 that would allow us to sell concessionary items. Such as  
3 ice cream.

4 MR. BOVITZ: So to enhance the existing  
5 structure, it wasn't just a replacement? But the 120 that  
6 DTE was proposing, there's a big difference between 184  
7 and 120.

8 MR. FLATEN: Yeah. They figured in  
9 depreciation. They said okay, if this -- and they gave me  
10 a list. An actual list, of what items were being  
11 replaced, and everything else. And what that cost is, and  
12 then the insurance adjuster came through, and looked at  
13 it, and said well, there's depreciation here on this  
14 building, too, that's got to come off.

15 And I said, wait a minute. You guys are just  
16 totally responsible for the destruction of this building.  
17 It was your gas line that ruptured, and blew the thing up.  
18 It took the roof of the building away from the building,  
19 and then just dropped it back down.

20 So now all the walls are cracked, the ground  
21 foundation, if you will, has been damaged. But it's the  
22 underground that we were concerned about, too. So after  
23 we convinced them that we're not going to be accepting of  
24 \$121,000, that your theory of depreciation just doesn't  
25 fit. Because and adjuster does that with residential

1 property, but he doesn't do that with commercial property,  
2 they saw it our way.

3 MR. BOVITZ: So it's replacement value, as  
4 opposed to fair value?

5 MR. FLATEN: Fair value.

6 MR. BOVITZ: Okay, that's all.

7 Can I have a motion then, to approve Resolution  
8 350.16?

9 MS. BROPHY: So moved.

10 MR. BOVITZ: Support. Any discussion?

11 (No response)

12 MR. BOVITZ: All in favor, aye. Aye.

13 MS. BROPHY: Aye.

14 MR. BOVITZ: Opposed same sign.

15 (No response)

16 MR. BOVITZ: There's one other item I wasn't  
17 able to get on the approved agenda for today, so if we  
18 could add it to the next meeting, that would be the  
19 changing of the dates of our July meeting. Since we  
20 already approved the agenda for today, I don't want to go  
21 back, and it's not so urgent, it's not until July. So Mr.  
22 Dostine, at this point, is there any public comment that's  
23 been requested for today?

24 MR. DOSTINE: There are no requests at this time  
25 for public comments, Mr. Chair.

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MR. BOVITZ: And is there any board comment at this point?

MS. BROPHY: No.

MR. BOVITZ: Hearing none, call for adjournment.

MS. BROPHY: I will move to adjourn.

MR. BOVITZ: I'll support.

Any discussion?

(No response)

MR. BOVITZ: All in favor, aye. Aye.

MS. BROPHY: Aye.

MR. BOVITZ: Opposed, same sign.

(No response)

MR. BOVITZ: Meeting adjourned, thank you.

(Proceedings adjourned at 9:28 a.m.)

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STATE OF MICHIGAN  
COUNTY OF WASHTENAW ) .ss

I certify that this transcript is a complete, true, and correct transcript to the best of my ability of the RTAB meeting held on January 10th, 2017, City of Ecorse. I also certify that I am not a relative or employee of the parties involved and have no financial interest in this case.

RESPECTFULLY SUBMITTED:                      January 11th, 2017

*s/ Amy Shankleton-Novess*

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Amy Shankleton-Novess (CER 0838)  
Certified Electronic Reporter