

City of Ecorse

Receivership Transition Advisory Board Meeting Minutes

Tuesday, October 11th, 2016

Ecorse City Hall

Council Chambers

Albert B. Buday Civic Center

3869 West Jefferson

Ecorse, Michigan 48229

RTAB MEMBERS PRESENT:

ROBERT BOVITZ

JEFF SYKES

JOAN BROPHY

ALSO PRESENT:

PATRICK DOSTINE

Michigan Department of Treasury

Reported by:

Nina Lunsford (CER 4539)

Modern Court Reporting & Video, LLC

SCAO FIRM NO. 08228

101-A North Lewis Street

Saline, Michigan 48176

(734) 429-9143/nel

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Called to order at 9:02 a.m.

Tuesday, October 11, 2016

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MR. SYKES: Okay good morning. Patrick, can you do roll call?

MR. DOSTINE: Sure. Rob Bovitz.

MR. BOVITZ: Here.

MR. DOSTINE: Joan Brophy.

MS. BROPHY: Here.

MR. DOSTINE: Jeff Sykes.

MR. SYKES: Here.

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

MR. SYKES: Thank you. All right. So, I will entertain a motion to approve the agenda as presented.

MS. BROPHY: So moved.

MR. FLATEN: Mr. Chairman?

MR. SYKES: Yes sir?

MR. FLATEN: If I could, if I may --

MR. SYKES: Absolutely.

MR. FLATEN: Something I would like added to the agenda.

MR. SYKES: Okay.

MR. FLATEN: We have a letter from Mr. Wycoff regarding special bonding council.

MR. SYKES: Oh yeah, okay.

1           MR. FLATEN: I'd like to have that added to the  
2 agenda, and then when it comes up, we can discuss it.

3           MR. SYKES: All right, what part do you want to  
4 do this? New business?

5           MR. FLATEN: Please.

6           MR. DOSTINE: That would be appropriate.

7           MR. SYKES: Okay.

8           MR. DOSTINE: First item under new business,  
9 perhaps.

10          MR. SYKES: We'll do that as first item under  
11 new business.

12          MS. BROPHY: I'll make a motion approve the  
13 agenda as amended.

14          MR. BOVITZ: Support.

15          MS. BROPHY: And add that to the new business.

16          MR. SYKES: Okay. So we have a motion to add an  
17 item to the agenda. All those in favor say aye. Aye.

18          MR. BOVITZ: Aye.

19          MS. BROPHY: Aye.

20          MR. SYKES: Opposed the same.

21          (No response)

22          MR. SYKES: The motion has passed. I'd like to  
23 remind the audience that if they intend to speak during  
24 the public portion, to come on up and sign in at the  
25 podium.

1                   Next is the approval of RTAB minutes from  
2                   September 13th, 2016. So I'll entertain a motion to  
3                   approve those minutes.

4                   MR. BOVITZ: So moved.

5                   MS. BROPHY: Support.

6                   MR. SYKES: Any further discussion?

7                   (No response)

8                   MR. SYKES: Seeing none, all those in favor of  
9                   the motion say aye. Aye.

10                  MR. BOVITZ: Aye.

11                  MS. BROPHY: Aye.

12                  MR. SYKES: Opposed, the same.

13                  (No response)

14                  MR. SYKES: This motion too is passed.

15                  Next item is old business, and I see that there  
16                  is none. So we will move on to new business. So first,  
17                  why don't we go ahead and start with the new item that was  
18                  just added? Would you like to discuss that issue  
19                  regarding bond counsel?

20                  MR. FLATEN: Sure. Basically, the reason for  
21                  this request is that, I think you're all familiar with the  
22                  Downriver Utility Wastewater Authority? And we now have  
23                  our -- that group is putting together an agreement to buy  
24                  the treatment plant from Wayne County.

25                  In order to buy that plant, it's going to have

1 to be financed, and we will be selling bonds. And with  
2 this letter, we'd like to see here, by approving John  
3 Caymans, in a special bond counsel, is to review our  
4 entire financial situation, including debt and so forth.  
5 Any bonds that we have outstanding, and bonds that we may  
6 own.

7 We want to have all that reviewed, so that when  
8 it comes time for DUWA to put their prospectus together  
9 for the issuance of bonds, that our position will be such  
10 that it will not conflict with things that they would want  
11 to do. In order to sell the bonds, to take over the  
12 system.

13 Because what happens there is everybody's bond  
14 rating is going to be examined. And when it comes to  
15 ours, we want to make sure that ours is in -- we're in the  
16 best possible position, so there's no finger pointing  
17 later on, that the debt issues that DUWA would want to  
18 issue may, there may be a conflict generating from us. So  
19 we're protecting our position.

20 The other reason is, is that when you are a bond  
21 holder with the DUWA, you are an owner of the system.  
22 That being an owner of the system, sure, you have the debt  
23 to pay, you've got operating costs, maintenance costs,  
24 asset acquisition costs to pay.

25 But if you're a non-owner of the system, in

1 other words, a customer of that system, there will be a  
2 rate that you will pay, and there will be a surcharge on  
3 top of that rate, making the customer's cost greater than  
4 what the owner's cost is going to be. That's the reason.

5 MR. SYKES: I think that's a pretty important  
6 decision that needs to be made, and so it --

7 MR. FLATEN: They're getting ready to, you know,  
8 the letter will be approved, I believe, Thursday, to go to  
9 the county, to take the system over.

10 MR. SYKES: Right.

11 MR. FLATEN: And then it'll be a matter of time,  
12 after that, when we'll start doing all the finance work to  
13 get the bonds together.

14 MR. SYKES: All right. Given that it's a pretty  
15 significant decision, it seems appropriate to bring in  
16 some outside expertise.

17 MR. FLATEN: I understand. This is coming to  
18 you this morning; there's a council meeting tonight. This  
19 is all contingent upon your vote -- will be contingent  
20 upon what the council does tonight.

21 MR. SYKES: I appreciate that.

22 Okay, so I'll entertain a motion to approve the  
23 hiring of bond counsel.

24 MS. BROPHY: So moved.

25 MR. BOVITZ: Support.

1 MR. SYKES: All right, any further comments?

2 MR. BOVITZ: This is a disclosure; I have a  
3 personal relationship with Mr. Caymans; we both serve on  
4 the Leukemia and Lymphoma Society board, so I don't know  
5 if that affects my decision, but I just wanted to disclose  
6 that.

7 MR. SYKES: Okay. Thank you for that. All  
8 those who approve the motion to hire bond counsel say aye.  
9 Aye.

10 MR. BOVITZ: Aye.

11 MS. BROPHY: Aye.

12 MR. SYKES: Opposed, the same.

13 (No response)

14 MR. SYKES: This motion has passed.

15 Next we have approval of resolutions and  
16 ordinances for city council meetings. The first  
17 resolution is from the regular city council meeting of  
18 August 30th, 2016. I'd like to please note that  
19 Resolution 267 was previously approved by this board. And  
20 with that, I'll entertain a motion to approve the  
21 remaining resolutions from the August 30th meeting.

22 MR. BOVITZ: So moved.

23 MS. BROPHY: Support.

24 MR. SYKES: Any further discussion?

25 (No response)

1                   MR. SYKES: Seeing none, all those in favor of  
2 the motion say aye. Aye.

3                   MR. BOVITZ: Aye.

4                   MS. BROPHY: Aye.

5                   MR. SYKES: Opposed, the same.

6                   (No response)

7                   MR. SYKES: All right, this motion is passed.  
8 Next is resolutions from the regular city council meeting  
9 of September 13th. Again, I'd like to note that  
10 Resolution 281 was previously approved by the board. So  
11 I'll entertain a motion to approve the remaining  
12 resolutions from the regular city council meeting of  
13 September 13th.

14                   MR. BOVITZ: Well, with the exception of  
15 Resolution 278.16

16                   MR. SYKES: Oh, correct, yeah. So let's go  
17 ahead and ask if Mr. Flaten can provide some additional  
18 information to the board on the adoption of the new water  
19 and sewer rates.

20                   MR. BOVITZ: We can approve the minutes without  
21 the resolution, first, and then get, is it separate? Or,  
22 do --?

23                   MR. SYKES: Okay, we can do that.

24                   MR. BOVITZ: Okay, so my motion stands that  
25 we'll entertain -- the motion will be to the remaining



1 resolutions, excluding the first one that you referenced,  
2 was the 281.16, that was approved at the last meeting.

3 But the motion that is to approve the remaining  
4 resolutions with the exception of 279.16, which is the  
5 adoption of the new water rates.

6 MR. SYKES: All right, thank you. Thanks for  
7 being clear on that.

8 MS. BROPHY: I'll support.

9 MR. SYKES: Okay. Any further discussion?

10 (No response)

11 MR. SYKES: Seeing none, all those in favor of  
12 the motion say aye. Aye.

13 MR. BOVITZ: Aye.

14 MS. BROPHY: Aye.

15 MR. SYKES: Opposed, the same.

16 (No response)

17 MR. SYKES: This motion is passed.

18 So we'll move to Resolution 279, which is the  
19 adoption of the new water and sewer rates. So Mr. Flaten,  
20 if you could provide some information to the board  
21 regarding this?

22 MR. FLATEN: I'm going to defer to Tim to answer  
23 those questions.

24 MR. SYKES: Okay. Okay. Thank you, Tim.

25 MR. SIDOWSKI: Water and sewer rates are

1 established by the city controller. I have set the rates  
2 based on current consumption citywide, and from U.S.  
3 Steel. Our largest user is U.S. Steel; that uses 54  
4 percent of the city's metered sold gallons.

5 They have dropped their consumption by over one  
6 third. So when they, when you speak about your largest  
7 user dropping by a third, it affects your water and sewer  
8 rates. Because our fixed costs are so high now, due to  
9 Detroit Great Lakes Water Authority and our fixed costs  
10 for excess flow.

11 The ready to serve has increased, and you'll  
12 also know sewer has increased to compensate for those  
13 losses, because the fixed costs don't go away. So I have  
14 to increase the rate to pay for the fixed costs, due to  
15 the consumption at U.S. -- consumption loss at U.S. Steel.

16 Which they are aware of; they're not happy, but  
17 even though with the rate increase, they are paying, I  
18 believe, \$200,000 less than they would be paying this  
19 year. And when I showed them that on paper, I didn't get  
20 a response back, so, I guess they --

21 MR. SYKES: So now, are the rate increases for  
22 all individuals, businesses, everything alike?

23 MR. SIDOWSKI: Yes, how the rate is calculated  
24 is I take all the fixed costs, I take bond payments,  
25 appreciation, fixed -- all our fixed costs, and I divide

1           it by ready to -- Residential Equivalent Unit. And  
2           everybody pays the same Residential Equivalent Unit, which  
3           is about \$36 a quarter.

4                     And, U.S. Steel pays a Residential Equivalent  
5           Unit for every 125,000 gallons of use. So theirs is  
6           almost 5,000 Residential Equivalent Units, when the rest  
7           of the city's only 3800 Residential Equivalent Units. So  
8           they get a big fixed charge because they're using most of  
9           the system.

10                    And then, sewer increased because sewer costs  
11           are going up dramatically, and our fixed costs keep going  
12           up.

13                    MR. SYKES: So, at a previous meeting, we had a  
14           discussion about the purchase of water, and then the  
15           ability to bill for that water, and that there is a loss,  
16           there's a significant loss of water? Is it the purchased  
17           water that's considered when determining the rates?

18                    MR. SIDOWSKI: It is the purchased water that's  
19           considered determining the rates. The city bills 800  
20           million gallons of water a year.

21                    MR. SYKES: Right.

22                    MR. SIDOWSKI: And it purchases 1.1 billion  
23           gallons a year, so it's losing 300 million gallons of  
24           water each year.

25                    MR. SYKES: All right. So, that's another real

1 important reason why, in previous meetings where we've  
2 looked at meters, in trying to get our arms around that  
3 lost water, is to be able to keep these rates down. And  
4 finding where that lost water is going, it's got to be a  
5 big piece of that.

6 MR. SIDOWSKI: The city has found several water  
7 main breaks that have been dumping straight into the  
8 sanitary sewer system. I believe we've stopped two meter  
9 leaks in the pits at U.S. Steel, and three water mains.  
10 And our monthly consumption has dropped by ten million  
11 gallons a month, just on those five breaks.

12 MR. SYKES: Wow.

13 MR. SIDOWSKI: And I believe there's several  
14 more that the city knows about that they have stopped  
15 recently, and need to fix. And then, obviously, from that  
16 amount of water, it's not only residential, because  
17 residential only uses 15 percent of our billed gallons.

18 So it's not even possible to have a 300 million  
19 gallon leak on a residential side; it's got to be water  
20 sewer mains that are leaking directly into sanitary storm  
21 sewers, throughout the city. Water -- the infrastructure  
22 is so bad, it's just leaking.

23 MR. SYKES: Okay.

24 MR. SIDOWSKI: So.

25 MR. SYKES: Thank you. Do you guys have any

1 questions?

2 MR. BOVITZ: Well, the public hearing that we  
3 had a few months ago on the millage increase, they tried  
4 to put it in residential terms about what it will cost the  
5 average homeowner. Now, there's really no way to say what  
6 is the average homeowner here, because you're not going by  
7 square footage of the house or the property values; you're  
8 going by water consumption.

9 So at the public hearing on September 13th, did  
10 any of the come up? Was there any concern by residents  
11 about how much it would raise their bill?

12 MR. SIDOWSKI: There was -- not brought up by  
13 the residents; it was only passed four to two by the  
14 council. Two of the members believed the rates were too  
15 high already. Four of them said that if we didn't  
16 increase the rates, the city would not be able to pay its  
17 financial obligations and that was a no brainer, that you  
18 have to pay your obligations, and voted for the increase.

19 But the two that voted in dissent said that they  
20 were too high already. I believe I -- I know I've, in a  
21 rate proposal, I broke out what the quarterly rates, based  
22 on the national averages. A single person uses about, it  
23 costs about \$88 per quarter. And a two family is about  
24 \$100 a quarter.

25 MR. BOVITZ: So it's not that dramatic of an

1 increase, but the bulk of the bill's going to be paid by  
2 industry, it sounds like?

3 MR. SIDOWSKI: Bulk of the bills are paid by  
4 U.S. Steel.

5 MR. BOVITZ: All right, so that would be the  
6 answer then, if residents would have a concern?

7 MR. SIDOWSKI: Most of our residential goes  
8 delinquent anyway, and we only collect about 25 percent of  
9 what goes delinquent for water and sewer.

10 MR. BOVITZ: Okay.

11 MR. SIDOWSKI: U.S. Steel pays for the water and  
12 sewer system, ultimately. They don't go delinquent, they  
13 pay on time.

14 MR. SYKES: Any other questions?

15 (No response)

16 MR. SYKES: All right, thank you very much.  
17 Okay, I'll entertain a motion to approve Resolution 279,  
18 which is the adoption of the new water and sewer rates.

19 MR. BOVITZ: So moved.

20 MS. BROPHY: Support.

21 MR. SYKES: All right, all those in favor of  
22 this motion say aye. Aye.

23 MR. BOVITZ: Aye.

24 MS. BROPHY: Aye.

25 MR. SYKES: Opposed, the same.

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(No response)

MR. SYKES: This motion is passed. Next are claims and accounts from regular city council meeting draft minutes, September 27th, 2016. I'll entertain a motion to approve the claims and accounts from this meeting.

MS. BROPHY: So moved.

MR. BOVITZ: Support.

MR. SYKES: Any further discussion?

(No response)

MR. SYKES: Seeing none, all those in favor of the motion say aye. Aye.

MR. BOVITZ: Aye.

MS. BROPHY: Aye.

MR. SYKES: Opposed, the same.

(No response)

MR. SYKES: This motion is passed. So, next we move onto the city administrator items.

First is the approval of city council minutes, which was addressed in new business. Next, we have approval of the budget to actual report of August, 2016.

I will say that it looks like this is caught up; that's -- I really appreciate that, that's -- I think that's a good -- thanks, Tim, I really do appreciate that. So with that, I'll approve -- a motion to -- I'll

1 entertain a motion to approve the budget to actual report  
2 for August, 2016.

3 MR. BOVITZ: So moved.

4 MS. BROPHY: Support.

5 MR. SYKES: Any further discussion?

6 (No response)

7 MR. SYKES: Seeing none, all those in favor of  
8 the motion say aye. Aye.

9 MR. BOVITZ: Aye.

10 MS. BROPHY: Aye.

11 MR. SYKES: Opposed, the same.

12 (No response)

13 MR. SYKES: This motion is passed. Next, we  
14 have a number of items. Approval of Resolutions 260, 261,  
15 and 262. All of these items were addressed in new  
16 business, so we'll move on to the approval of Resolution  
17 288, which is the municipal roofing project.

18 I'd point out that this item occurred during a  
19 council meeting outside the normal review period of  
20 today's board meeting. The city administrator is  
21 requesting to bring this item forward to the board early.  
22 Mr. Flaten, I see you're here already to talk about this.  
23 I appreciate that.

24 MR. FLATEN: It's a project that definitely  
25 needs to be done here. What we did, is we used a firm to



1 gather our specifications for the roofing project, which  
2 is a thermal ply solution, basically.

3 We sent out bid notices or specifications went  
4 out, under Eye Square, which is a company that reaches out  
5 to roofing companies, or contractors, and they carried our  
6 specs. We received nine proposals back; we had a pre-bid  
7 meeting first, so that they could see what the specs were.  
8 We invited them here, there were nine companies that came.  
9 One company left their specs on the table and left.

10 Eight of them took the specs, came back to us  
11 within two weeks with a bid. Only three companies did  
12 apply through submitting bids. We reviewed those bids,  
13 and we accept the bid of CEI, in the amount of \$265,000  
14 and change.

15 The other bids were at 309, and one was at, I  
16 believe, three -- I got it -- the other bid, one was at,  
17 yeah, 265 was the major bid. Then there was one that came  
18 in at \$339,949, which included a ten percent contingency  
19 that we applied for that, just in case something may  
20 happen. The other one came in at \$360,000.

21 They also bid on doing the entire roof, but then  
22 they also broke it into four sections. The difference  
23 between CEI and the remain -- and the other two companies,  
24 was, their bid was the same whether they did the entire  
25 roof, or if they did in four sections.

1           CEI gave a discount to do the entire roof, and  
2 then if they were to do it in sections, they also quoted  
3 prices per section. So it turned out to be that by  
4 picking up CEI as our bidder, we saved some money.

5           The original budget included \$400,000 for  
6 contract expense. So we're saving some money there.

7           MR. SYKES: I appreciate that. Thank you. Do  
8 you guys have any other questions?

9           MR. BOVITZ: And so there's been experience  
10 working with this company? They're reliable, and --?

11          MR. FLATEN: They are very reliable. We also  
12 just, Bob, because you know downriver. Holbrook was one  
13 of the other bidders. And he was the one that came in at  
14 the 339, that's with the ten percent on it.

15          MR. BOVITZ: So it was an honest bid? It was  
16 actual, it wasn't someone just trying to get a contract,  
17 right?

18          MR. FLATEN: Right, no. Well, we had an attempt  
19 at that, but that individual was, you might say, shot  
20 down.

21          MR. BOVITZ: Well, low bidder's never the best  
22 value.

23          MR. FLATEN: Well, this one didn't want to apply  
24 the specifications that we had set aside. He said, why do  
25 we, you know, he said, I can do it for less if I don't

1 have to adhere to your specs. He was told you can pick up  
2 your packet and go home. Which he did.

3 But yes, CEI is very reputable. Holbrook, I  
4 know from personal experience on other projects that I've  
5 done with him, he's very reputable. It's just, in their  
6 case, they were slightly higher than CEI.

7 And the other company's got a great reputation  
8 too. And I called around to different cities, where they  
9 had done work, and they are all recommended. It just came  
10 down to the low bid, that met total specs.

11 MR. BOVITZ: And just so you know, because  
12 you've only been here for a few months, but, the City of  
13 Ecorse, with its relationship with Wade Trim, and the  
14 Canon Associates, and Hennessy Engineers; these are all  
15 reputable companies, and I'm sure they're giving us the  
16 best value and the best price, too. And Rizzo, with the  
17 waste disposal.

18 MR. FLATEN: Right.

19 MR. BOVITZ: So let's just keep the goodwill  
20 going.

21 MR. FLATEN: Yeah, well, we're trying. I mean,  
22 when we take this -- it's always been, even in a prior  
23 life, you might say. It's always the thing with me on a  
24 bid, that they meet specs. And that you call around and  
25 check their references, and then you call some that may

1 have used them and didn't have a perfect reference from  
2 them, but it wasn't a real blemish on their record,  
3 either.

4 MR. SYKES: Well I'll say that was a great  
5 question and even a better answer. I appreciate that, I  
6 really do. Anything -- do you have any questions?

7 MS. BROPHY: No.

8 MR. SYKES: Okay. Thank you. All right, I'll  
9 entertain a motion to approve Resolution 288, the  
10 municipal roofing project.

11 MR. BOVITZ: So moved.

12 MS. BROPHY: Support.

13 MR. SYKES: All those in favor, say aye. Aye.

14 MR. BOVITZ: Aye.

15 MS. BROPHY: Aye.

16 MR. SYKES: Opposed, the same.

17 (No response)

18 MR. SYKES: This motion is passed. Last is the  
19 employee confidentiality agreement, and this was addressed  
20 in new business. So with that, Patrick, can you check out  
21 whether there's any public comment?

22 MR. DOSTINE: Okay, Mr. Chair, there are no  
23 requests at this time, for public comment.

24 MR. SYKES: Thank you. Any board comment?

25 MS. BROPHY: Nope.

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MR. SYKES: I have none, thank you.  
I'll entertain a motion to approve adjournment.  
MS. BROPHY: So moved.  
MR. BOVITZ: Support.  
MR. SYKES: All those in favor say aye. Aye.  
MR. BOVITZ: Aye.  
MS. BROPHY: Aye.  
MR. SYKES: Opposed, the same.  
(No response)  
MR. SYKES: We are done.  
(Proceedings conclude at 9:23 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 October 11th, 2016, 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:                      October 19, 2016

*s/ Amy Shankleton-Novess*

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Amy Shankleton-Novess (CER 0838)  
Certified Electronic Reporter