

1 CITY OF FLINT
2 RECEIVERSHIP TRANSITION ADVISORY BOARD MEETING
3 WEDNESDAY, NOVEMBER 9, 2016
4 2:00 p.m.

5
6 Meeting before the
7 RTAB Board at Flint City Hall, Flint, Michigan, on
8 Wednesday, November 9, 2016.

9
10 BOARD MEMBERS PRESENT:

11 Frederick Headen - The Chairperson
12 Michael Townsend
13 Michael Finney
14 Joel Ferguson

15 FROM THE CITY:
16 City Administrator, Sylvester Jones
17 Chief of Staff, Steven Branch
18 Council President, Kerry Nelson
19 Councilmember, Scott Kincaid
20 CFO, David Sabuda

21 OTHERS PRESENT:
22 R. Eric Cline
23 R.L. Mitchell
24 REPORTED BY: Mona Storm, CSR# 4460

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PROPOSED

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1	MOTION INDEX	
2	MOTION	PAGE
3	Roll Call	3
4	Approval of Agenda	3
5	Approval of 10-19-16 minutes	3
6	Approval of 10-26-16 minutes	4
7	UNFINISHED BUSINESS	
8	None	4
9	NEW BUSINESS: Mayor and Council President	4
10	Approval of Resolutions & Ordinances for City	
11	Council Meetings	
12	10-10-16, Regular meeting, no action	
13	10-13-16, Special meeting, Resolutions 458, approved	7
14	10-24-16, Regular meeting, Resolutions 465, 468 & 471-473, 483, 484, approved	9
15	CITY ADMINISTRATOR ITEMS	9
16	Budget to Actual - September 2016	9
17	PUBLIC COMMENT	17
18	ADJOURNMENT	18
19		
20		
21		
22		
23		
24		
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1 Flint, Michigan

2 Wednesday, November 9, 2016

3 2:04 p.m.

4 THE CHAIRPERSON: The meeting will be in
5 order, please.

6 Let the record reflect that all four board
7 members are present so we have a quorum.

8 Next item is the approval of the agenda. Are
9 there any additions to the agenda?

10 If not, the agenda will be considered
11 approved.

12 Next item is the approval of RTAB meeting
13 minutes. We have two sets of minutes. First, from our
14 regular meeting, October 19th, Attachment 1. Are there
15 any corrections or an additions to the agenda?

16 If not, is there a motion that the --

17 MR. FERGUSON: So approve.

18 THE CHAIRPERSON: -- meeting minutes from
19 October 19th be approved?

20 MR. FERGUSON: So move.

21 THE CHAIRPERSON: Is there a second?

22 MR. FINNEY: Second.

23 THE CHAIRPERSON: Without objection, the
24 minutes from October 19th are approved.

25 Next, the meeting minutes from our special

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1 meeting of October 26th, Attachment 2. Are there
2 corrections or additions to those minutes?

3 If not, is there a motion that the RTAB
4 special meeting minutes from the 26th of October be
5 approved?

6 MR. FINNEY: So move.

7 THE CHAIRPERSON: Is there support?

8 MR. FERGUSON: Support.

9 THE CHAIRPERSON: Without objection, those
10 minutes are approved.

11 There is no unfinished business.

12 Under New Business, Mayor and City Council.

13 Mr. Jones or Mr. Branch, do you have anything
14 to report on behalf of the Mayor?

15 MR. JONES: No, not at this time.

16 THE CHAIRPERSON: Mr. Branch, anything?

17 MR. BRANCH: (Shakes head.)

18 THE CHAIRPERSON: Council President Nelson?

19 MR. NELSON: (Putting hands up.)

20 THE CHAIRPERSON: Next item will be the
21 approval of resolutions and ordinances from the City
22 Council meetings.

23 We'll begin with City Council meeting of
24 October 10th, which is Attachment 3. If I understand
25 correctly, Resolutions 453, 454, 455 and 456 are for

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1 communications only and treated as such by the City
2 Council. So, therefore, no action needs to be taken
3 regarding those.

4 Also, Resolutions 437 and 438, 439 and 440
5 were approved by the RTAB at its meeting on
6 October 19th. I believe that is all the resolutions
7 from October 10th. That will take us, then, to
8 resolutions from the special City Council meeting of
9 October 13th.

10 Mr. Cline?

11 MR. CLINE: Yes. Good afternoon. Principal
12 on -- principal items for October 13th, you have
13 Resolution 458, which is the acceptance of the
14 Department of Justice grant in the amount of \$996,000,
15 which this grant is for the Sexual Assault Kid
16 Initiative. That program extends out through
17 March 31st of 2020.

18 We also have Resolution 459, which was a
19 resolution of intent adopted by the City Council for a
20 three-year contract with -- for the trash hauling
21 contract.

22 We have Resolution 460, which was offering or
23 approving a three-year contract with Republic Service
24 in the amount of approximately \$11-and-a-half million
25 per year.

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1 And Resolution 461, which, again, is a
2 resolution of intent adopted by the City Council
3 regarding the waste issue.

4 So those are the issues or the resolutions
5 adopted by the City Council at that meeting.

6 THE CHAIRPERSON: It's my understanding
7 Resolutions 459, 460 and 461 dealt with Rizzo or other
8 aspects of the garbage-hauling contract, are really now
9 moot in light of the adoption by the City Council of
10 Resolution 482, which the RTAB adopted last month.
11 Would you gentlemen agree?

12 MR. KINCAID: That's correct.

13 THE CHAIRPERSON: So that leads us, with
14 regard to the October 13th meeting, to Resolution 458
15 as described by Mr. Cline. Is there a motion that
16 Resolution 458 be approved?

17 MR. FERGUSON: So move.

18 THE CHAIRPERSON: Is there support?

19 MR. TOWNSEND: Support.

20 THE CHAIRPERSON: Is there any discussion?

21 MR. FINNEY: I just have one quick question.

22 Now, Mr. Jones, I just had a question. So
23 the amount of money, is that based on a backlog that
24 exists right now; is that how you arrived at the amount
25 or is it just some federal allocation that's available?

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1 MR. JONES: It's my understanding that it is
2 a federal allocation that was available but it is
3 precisely to look at cases that have not been solved;
4 that's my understanding of that.

5 THE CHAIRPERSON: Thank you.

6 Other questions? A motion's been made and
7 seconded. Those in favor of approving Resolution 458,
8 please say "aye".

9 BOARD MEMBERS: Aye.

10 THE CHAIRPERSON: Opposed?

11 Motion is adopted. That brings us to
12 resolutions from the regular City Council meeting of
13 October 24th. Mr. Cline?

14 MR. CLINE: All right. Multiple resolutions
15 from this meeting. We have Resolution 465, with Boyd
16 Lawn Services for snow removal at City Hall and various
17 City facilities. It's a two-year contract in the
18 amount of \$40,000 per year.

19 We have Resolution 458, which is an annual
20 support agreement with BS&A for software support. This
21 is also a two-year agreement. The first year is in the
22 amount of \$112,000; year two, \$132,000.

23 Resolution 471, which is an agreement with
24 Lake Agency for a property on Inland Marine
25 Insurance -- I believe there's some other insurance

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1 coverages in that amount as well -- for cost of
2 \$160,000.

3 And we have Resolution 462, which is an
4 extension, a 60-day extension, on general liability
5 insurance to avoid a lapse in coverage while a bid
6 process occurred. That amount is \$53,000.

7 We have Resolution 473, which is a new
8 contract for general liability insurance for the period
9 of ten months in the amount of \$256,000.

10 You have a Resolution 483, an agreement with
11 McKeen Associates for rental inspection services
12 throughout the City, in the amount of \$270,000.

13 And Resolution 484, which is a settlement of
14 litigation, in the amount of \$20,000.

15 Just for clarity, Resolutions 466 and 467
16 were postponed by the City Council so no action is
17 necessary.

18 Resolutions 481 and 482 were addressed by the
19 RTAB at a previous meeting. So --

20 THE CHAIRPERSON: Is there a motion that
21 Resolutions 465, 468, 471, 472, 473, 483 and 484 from
22 the Regular City Council meeting of October 24th be
23 approved?

24 MR. FERGUSON: So move.

25 MR. TOWNSEND: Support.

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1 THE CHAIRPERSON: A motion's made and
2 seconded. Are there any questions or discussion?

3 I did have one question regarding Resolution
4 484, which is captioned Strozier versus Flint Community
5 Schools and others in Genesee County. Can someone
6 explain briefly what the City's involvement was in this
7 lawsuit, if the Defendant was the school district?

8 MS. OAKS: Good afternoon. Without having to
9 go into executive session, I can tell you that a City
10 employee was involved, along with a vehicle. Other
11 than that, I would not be able to discuss the details
12 of the case without going into a closed session.

13 THE CHAIRPERSON: Thank you.

14 Are there other questions?

15 If not, a motion's made and seconded. Those
16 in favor, please say "aye".

17 BOARD MEMBERS: Aye.

18 THE CHAIRPERSON: Opposed? Motion is
19 adopted.

20 That brings us to Item C, City Administrator
21 items.

22 Mr. Jones?

23 MR. JONES: Well, this is the budget to
24 actual and I'm going to ask Interim Chief Financial
25 Officer Mr. David Sabuda if he can come forward and

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1 present that.

2 MR. SABUDA: Good afternoon. What you have
3 before you is the monthly budget to actual revenue
4 expense report for September 30, 2016. I know that we
5 are complete in our independent audit and that finished
6 up last week Friday.

7 Also -- and I'll just get right into the
8 numbers first. We will get right into the numbers.
9 Everything is progressing nicely, as far as
10 expenditures and revenues coming in. Revenues are high
11 over this time of year because of taxes. Expenses are
12 high but only in capital areas.

13 We have not had any real extraordinary events
14 across any of operating funds, aside from, obviously,
15 the 11-9 replacement in the water and sewer fund. All
16 the funds are in compliance with Public Act 268.

17 Cash in the -- in the grant fund, 274 fund,
18 is in a negative position. However, we are billing the
19 Federal Government and the State government for
20 those -- those reimbursements as the expenditures are
21 being put together. And then we compile and send over
22 to the Federal Government and the State government.

23 We've gone through 1.7, \$1.8 million negative
24 cash position in that one fund to \$801,000 negative
25 cash position in the 274 fund, which is really good.

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1 We're getting those dollars, those dollars are coming
2 in. This is going to take time and eventually we will
3 receive those dollars.

4 As we get into our financial activity, I'm
5 pleased to report that all three millages passed, so
6 the 205, 207 and the 208 fund, which is the two police
7 millages and the recreation millage, have passed and
8 they passed solidly. Very pleased. So that will be
9 continuing on for the next five years and those are our
10 millage renewals.

11 Water fund, we've given our best cash flow to
12 State Treasury last week and we -- I'll let you look
13 through the report. But, at the end of the day, we
14 think that our June 30th, 2017 will be between \$5 and
15 \$9 million in cash in the water fund.

16 Water collections, we've been working very
17 hard to stay in compliance with the State of Michigan,
18 a 7 percent collection rate in order to maintain our
19 credits of 65 percent credit for a residential and a
20 20 percent credit for a commercial customer.

21 Our collections, when we look at raw what do
22 we bill versus what do we collect, it's increasing and
23 we've gone from as low as 40 percent to as high a
24 number of up to 50 percent, not taking into
25 consideration credits given to us by the State. So if

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1 you factor that in, our collect rate is real huge.

2 But just looking at what we've billed versus
3 what we've collected, we're doing just fine and we're
4 seeing growth. The State Treasurer has recognized that
5 and we are anticipating that, for the months of
6 November and December 2016, we'll continue to see our
7 residential and commercial credits continue for our
8 customers.

9 In working to maintain a credit -- or a
10 collection level of 7 percent, we've really focused on
11 the commercial customers over the last two, three
12 weeks. What we've done is we've sent out forms, we've
13 sent out letters, we're asking for current balance plus
14 ten percent. The majority of your customers have
15 complied with that request. We have worked with a
16 segment of our -- of our customer base.

17 Unfortunately, the top four customers are in
18 this nonpayment segment of our customer base. And we
19 reached out to -- to a majority of those customers to
20 try to get them to pay their bills, current balance
21 plus ten percent. I'm pleased to report that -- that
22 segment is about 1.6 million, which is -- which is --
23 again the segment of our total -- our total base. We
24 are pleased to say that, once reaching out -- and
25 that's between --

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1 The collection time we really focused on was
2 from November the 1st through November the 4th and I
3 can tell you that, in that timeframe, we saw around
4 \$156,000 in collections.

5 Between that one timeframe, from this core
6 section of vendors, I think basically 2 out of 4 major
7 players are in compliance now, which is really good for
8 us. And those are apartment complexes that have
9 individuals in there that they recognize it would shut
10 them down, they would have to move. The end of this
11 week we'll be posting notices at those facilities who
12 haven't paid, stating that we will be shutting water
13 off. Hopefully, that generates some interest from the
14 tenants, which in turn will then go back to the
15 landlords and, hopefully, the landlords will then come
16 back and make payment, as we've requested and, through
17 that process, hopefully, we can achieve an even greater
18 collection rate.

19 MR. FERGUSON: So, if I understand correctly,
20 the collection rate is -- your denominator is the
21 amount that's billed and your numerator is the payment
22 you received?

23 MR. SABUDA: Flip it around -- no, you're
24 right; you've got it right. You're correct, yes.

25 THE CHAIRPERSON: So it's not based on

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1 customers, it's based upon billings and payments had?

2 MR. SABUDA: That's correct.

3 MR. FERGUSON: And are you writing anything
4 off?

5 MR. SABUDA: Not right now, no. The way that
6 works, we're going to run through the delinquent water
7 roll process in accordance with the ordinance, the
8 water ordinance. So what we'll do is, in March we'll
9 look at who's due and outstanding. At that time, we'll
10 look back 60 days, take that segment and we'll roll it
11 into property tax. And, at that time, it will become a
12 lien on the property. Then, hopefully, we'll get our
13 money. And, at the very minimum, we'll receive our
14 cash in a different roll process from the County. And
15 then, hopefully, the County's able to collect the full
16 values of -- of property tax due, including the water.
17 If they don't, then the County will be coming back to
18 us looking for dollars back. And that process takes a
19 few years as you work through that.

20 So I think what I want the RTAB to take away
21 here is this: That our collections are improving.
22 We're working hard on the commercial side. We are
23 working with all parties to ensure that we work through
24 the delinquent roll process and the delinquent water
25 process and we are starting with the residential

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1 customers this next billing cycle.

2 Any other questions, I'll be happy to answer.

3 The other major item I have in your report is
4 our pension contributions. We've updated the Council
5 on where we're going for '16/'17 -- I'm sorry -- for
6 '17/'18 we received our report as to where we're going
7 on matching contribution this year. It's approximately
8 18 million in employer contribution. Next year the
9 plan is calling for a \$42 million pension contribution.
10 There are three big items that have affected that.

11 The first one is -- let me take a step back
12 for a second. Our custodian is -- custodian in our
13 board is MERS, the Michigan Employment Retirees System.
14 That board has changed actuarial sections. They've
15 dropped the investment rate of return from 8 percent to
16 7.75. They've changed the mortality table and they
17 moved to a fixed period amortization schedule for
18 accrued liability.

19 Now, what that has done is that has raised
20 our contribution. Further, the -- when the move was
21 made from -- from Flint to MERS, there were some -- how
22 do I want to put this? It was some administrative --
23 there was administrative classifications that would
24 allow retirees to not miss a payable paycheck. What
25 we've done is we have reclassified those retirees into

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1 their correct group. And what is happening now is
2 we're hoping that that will drive down that \$42 million
3 contribution from 42 -- by approximately 5 million
4 bucks.

5 Now, in addition to that, we need further
6 help and where we're going is we'll be working through
7 solutions with the employees as we progress through to
8 try to get that value lower, to around \$20- or
9 \$25 million. But, at the end of the day, we are
10 currently right now, if we do nothing, moving from a
11 \$18- to \$19 million pension contribution to a
12 \$42 million pension contribution come July 1, 2017.

13 MR. FINNEY: A quick question on that.

14 MR. SABUDA: Sure.

15 MR. FINNEY: So how does MERS get paid out of
16 that whole scenario?

17 MR. SABUDA: Out of -- okay. So, basically,
18 are you talking about fees?

19 MR. FINNEY: Right, their fees.

20 MR. SABUDA: Oh, their fees, okay. What they
21 do is they take an administrative fee off the
22 administration -- off the investment ordinance. So we
23 don't make a separate payment over and above what we're
24 paying. They ask us to make our pension contribution
25 and their fees come off the --

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1 MR. FINNEY: So they're motivated to push for
2 a better investment return as opposed to what you just
3 described?

4 MR. SABUDA: That is correct.

5 MR. FINNEY: Okay.

6 MR. SABUDA: That's a great question.

7 Thank you, sir.

8 THE CHAIRPERSON: Thank you.

9 Next item is public comment.

10 Mr. Cline, did anyone sign up for public
11 comment?

12 MR. CLINE: We had one individual sign up for
13 public comment today, Mr. R.L. Mitchell.

14 MR. MITCHELL: Good evening, Mr. Frederick.
15 And to Michael and Michael, congratulations to our new
16 president. I want to put the Resolution 458 along with
17 the -- with the one that -- the car thing, could you do
18 that on the -- the new -- the special City Council
19 meeting of October 13?

20 458, could you --

21 THE CHAIRPERSON: What specifically are you
22 asking?

23 MR. MITCHELL: We had a new -- it was a 6 --
24 new thing added onto the thing. I want to table that
25 on closed-door discussion before we -- to my -- well,

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1 anyway, I'll just wait until my councilman come and be
2 at this meeting, for he can explain that, 458, Mays.

3 Welcome back.

4 MR. FINNEY: Thank you.

5 THE CHAIRPERSON: No further public comment?

6 MR. CLINE: No, sir.

7 THE CHAIRPERSON: Is there a motion that we
8 adjourn?

9 MR. FERGUSON: So move.

10 THE CHAIRPERSON: Is there support?

11 MR. FINNEY: Support.

12 THE CHAIRPERSON: Without objection, we stand
13 adjourned.

14 (Meeting was concluded at 2:26 p.m.)

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C E R T I F I C A T E

I, Mona Storm, do hereby certify that I have recorded stenographically the proceedings had and testimony taken in the meeting, at the time and place hereinbefore set forth, and I do further certify that the foregoing transcript, consisting of (19) pages, is a true and correct transcript of my said stenographic notes.

Date

Mona Storm
CSR-4460