

City of Lincoln Park
Receivership Transition Advisory Board Meeting Minutes
Tuesday, January 17th, 2017
Lincoln Park City Hall
Council Chambers
1355 Southfield Road
Lincoln Park, Michigan 48146

RTAB MEMBERS PRESENT:

KEVIN BONDS
JESSICA THOMAS
JOHN ZECH

MEMBERS ABSENT:

GENELLE ALLEN
BRENDEN DUNLEAVY

ALSO PRESENT:

DREW VAN de GRIFT
Michigan Department of Treasury

MATTHEW COPPLER

City Manager

Reported by:

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1 **Called to order at 1:10 P.m.**

2 **Tuesday, January 17, 2017**

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4 MR. BONDS: Let's call the meeting to order, and
5 get a roll call.

6 MR. VAN de GRIFT: Genelle Allen, absent. Kevin
7 Bonds.

8 MR. BONDS: Here.

9 MR. VAN de GRIFT: Brenden Dunleavy, absent.
10 Jessica Thomas.

11 MS. THOMAS: Here.

12 MR. VAN de GRIFT: John Zech.

13 MR. ZECH: Here.

14 MR. VAN de GRIFT: Quorum's present.

15 MR. BONDS: Okay, approval of the agenda.

16 MR. ZECH: So moved.

17 MS. THOMAS: Support.

18 MR. BONDS: And just a reminder to the public
19 wishing to speak, you need to use the sign up, please.

20 Approval of the RTAB minutes of the regular
21 meeting of December 20th, 2016. Chair will entertain a
22 motion to approve the December 20th, 2016, RTAB minutes as
23 presented.

24 MS. THOMAS: So moved.

25 MR. ZECH: Support.

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MR. BONDS: Discussion?

(No response)

MR. BONDS: Hearing none, all those in favor, signify by stating aye. Aye.

MS. THOMAS: Aye.

MR. ZECH: Aye.

MR. BONDS: No opposed.

Old business is none; new business, Plante Moran presentation. We appreciate you taking the time.

MS. BAILEY: Good afternoon.

We are trying to get the presentation up on the screen, but you should all have copies of this in front of you. I'm Beth Bailey, I'm the audit partner on the Lincoln Park audit, and with me is Kristen Hunt, who's the senior associate, as well, on the audit.

What we're going to cover today, really, is what we've covered in front of the council, a couple of weeks back, before the new year. And what, just, as far as highlights go, we do have a -- this graphical presentation. But just in an overview, some of the things that we talked about with the council would have been that, if you had had a chance to look at the financial statement, you will notice that the opinion is a little bit different. There's an opinion modification for the fact that the city did not hire an actuary to update the

1 OPEB valuation for the retiree healthcare.

2 Just given the situation with retiree
3 healthcare, and you know, doing away with that, but then
4 being involved in the proceedings, so, it didn't feel like
5 it was probably the best use of money to get an updated
6 valuation, not knowing what was happening there. And so
7 that was covered with the state, because obviously it was
8 going to be a modification to the audit opinion. And they
9 were fine with that.

10 As we're going through the slides, you'll see
11 that the general fund did add to fund balance for the
12 second time, so there was a positive trend there. Fund
13 balance in total is up to about three and a half million
14 dollars.

15 Our slides will focus a little bit on how we got
16 there. One of the things we told council was if you
17 looked back at the last three or four years, every year
18 there's something unusual, something different, so it's
19 going to take a little bit of time, really, before the
20 city's finances kind of settle into what is a normal, or
21 typical, year.

22 So we will try to point out, today, through the
23 use of our slides, some of the things that we think might
24 be sort of one time revenues and so forth, that we think
25 hit during the year under audit.

1 We also talked pretty extensively just about
2 the, overall, the trends, the decreases with property
3 taxes, the state shared revenue decreases over the years
4 and so forth, and kind of what type of impact that's had
5 on the overall city budget.

6 And then we spent a lot of time, and we'll focus
7 on that a little bit today, just on the pension systems.
8 Obviously, you're aware of the fact that the pension
9 systems are severely underfunded, and those annual
10 contributions, it's like the city just is really
11 struggling to get ahead on those.

12 It seems like every time they find the money in
13 a budget to get to where they can make the payment, the
14 payment keeps going up. So it's sort of one step forward,
15 two steps back, and just can't gain the traction there to
16 try to get that funding level to be pushed up.

17 On the good news side, there's no true fund
18 deficit in any of the funds; there's one deficit in CDBG,
19 but that's really just a timing difference for deferred
20 revenue. Very little formal debt, that the city has,
21 which is good for future budgets. And we were able to
22 make some road improvements, add some much needed vehicles
23 and so forth.

24 Another thing I give the city a lot of credit
25 for, is they're really good users of grant money. So we

1 also have a federal compliance audit, that's part of the
2 overall reporting package, and they do a very nice job
3 there, with all the, you know, nitpicky requirements.

4 So with that, I'm going to turn it over to
5 Kristen, and she's going to walk through the packet that
6 you have in front of you.

7 MR. BONDS: Thank you.

8 MS. HUNT: Let's just walk through the printed
9 graphs, I think this would be good.

10 All right, so, to put a little perspective on
11 the things that Beth said. If we could turn to the first
12 slide, it has a history of the combined general fund, fund
13 balance. Balance or deficit.

14 And so you can see, over the past five years,
15 there's been quite a lot of swings in that, with, really,
16 to the general fund. And this year, there was a big add,
17 as Beth had mentioned, with the net income this year. So
18 the city went from last year, of only having about
19 \$350,000 in general fund fund balance, to over \$3.4
20 million this year.

21 So there were some additional revenue sources
22 that contributed to that; some of it was one time, that
23 we'll talk about in a moment. And then also, we wanted to
24 point out the fact that the city did not make the full
25 pension contribution to the police and fire system, so if

1 you notice on this graph, where we have the \$3.4 million,
2 the fund balance is divided out at the bottom, among the
3 different classifications, of fund balance.

4 The unassigned portion is \$2.4 million, and then
5 there's an assigned portion for \$900,000. And that
6 assigned portion is related to catching up for the pension
7 payment that was the portion of it that wasn't made last
8 year.

9 So if you took a look at what your unassigned
10 fund balance is for the year, the city's unassigned fund
11 balance of \$2.4 million, and compared that to the annual
12 expenditures in the general fund for the year, they've got
13 about 11 percent in reserves now. In the past, that was
14 less than one percent, last year, when the fund balance
15 had been all but depleted.

16 So if we turn to the next slide, it gives you
17 just some history of what the revenue and expenditure
18 trends are for the city. And this will put some
19 perspective on the fact that you'll see that the revenue
20 really did spike this year.

21 And you have an increase last year, as well,
22 that had some onetime items that we'll talk about here in
23 a moment. But really, that increase in revenue, it's
24 really what's helped contribute to the good results this
25 year.

1 If you looked at prior years on this graph, you
2 can see that revenues were steadily declining for many
3 years, and that really largely relates to the drop off in
4 the values for the property values, so that property taxes
5 just going steadily down over the years. And then finally
6 they're levelling off a little bit, between 2013 and '14,
7 and then in '15, there'd be some onetime items, and in
8 '16, we'll talk about, as well.

9 So if we turn to the following slide for the
10 revenue slide, this will explain why was revenue so much
11 more than it was last year, and these are those onetime
12 items we had mentioned.

13 So, there was a sale of a cell tower lease, of
14 \$366,000. That was also a onetime item last year, and the
15 fact that there was another tower that was sold last year
16 for about \$535,000, so that's why last year on that
17 previous slide, you saw some increase in revenue. That
18 would have been, you know, there would have been one sold
19 one sold last year, and then the one this year, that
20 didn't produce as much revenue as the prior year.

21 You had much higher court fines and fees revenue
22 in this year than in prior years. Over \$1.2 million, so
23 that was a great contribution that the court is able to
24 provide for the general fund. Just as a word of caution,
25 though, it is something that is subject to some

1 fluctuation, depending on the activity that happens over
2 the years. But if that could be sustained at some level
3 or close to that, that would really be an assistance to
4 the general fund, for sustainability, going forward.

5 And then again, there was a onetime insurance
6 rebate this year for health insurance, that contributed to
7 the good results of \$221,000. You wouldn't expect that to
8 continue, too. Recur from year to year. So overall, that
9 gave you \$1.8 million more in revenue, over, as compared
10 to a normal year, in years past.

11 If we look at the next slide, this is a bar
12 graph that would give you historical information on what
13 the revenue sources have been for the city over the past
14 several years, since 2012. And again, here's where you
15 can see that spike from last year to this year; \$22.7
16 million to \$24.4 million this year.

17 And then a large part of that difference is
18 related to, in the other revenue, where that would have
19 been included, the cell tower leases, and then also the
20 biggest reason for the increase, you see there in that
21 third line from the bottom. The licenses, fines, and
22 fees, that's where that additional revenue for the court
23 fines and fees would be included in there.

24 Another item that's more of a temporary item,
25 would have been the second row, listed at the bottom of

1 that slide, the Honeywell revenue source. And so
2 remember, that was a special judgment levy that was put on
3 the taxes, to be able to pay for that Honeywell debt. So
4 that's really an in and out. It was additional revenue
5 sources, though, but it was all used to pay for the
6 Honeywell debt, to be able to extinguish that.

7 If you look at the next slide, we can talk about
8 analyzing expenditures. So overall, expenditures for the
9 year were slightly less than last year, about \$356,000.
10 If you remember the slide we looked at earlier, it had the
11 lines, and it had that little bit of a dip in expenditures
12 this year.

13 We all know that retiree healthcare was
14 eliminated, and this was the first year the full effect
15 would have been included in that. So at first glance, you
16 might think, why didn't expenditures decrease a lot more
17 than \$356,000 if retiree healthcare was eliminated during
18 the year?

19 You can see there that the expenditure cuts
20 related to that retiree healthcare, of \$3.6 million, that
21 bullet point there. But there were additional costs that
22 offset that, so they really, the city really traded the
23 savings from the retiree healthcare for additional pension
24 contributions, that were required.

25 So, as you can see at the bottom part of that

1 slide, it talks about the additional pension
2 contributions. The city has those two pension
3 contributions, or two pension systems, MERS for the
4 municipal employees. That contribution increased by \$1.3
5 million, and then the police and fire funds' contribution
6 increased by \$2 million.

7 So you know, if you add that \$1.3 million plus
8 the \$2 million, and you compare that \$3.3 million in
9 increased contributions to the pension systems, and you
10 look above and see where you saved \$3.6 million on the
11 retiree healthcare. You really almost traded one expense
12 for the other expense, the city did.

13 And another thing that's important, as I
14 mentioned on the first slide, when we talked, the city did
15 not make the full pension contribution for the police and
16 fire system. So the 2 point million dollar contribution
17 for the police and fire, if you were going to contribute
18 in accordance with what the actuary recommended, should
19 have been \$2.9 million.

20 So if you would have added that \$900,000 onto
21 the additional pension contributions, then that would have
22 been more than the savings for the retiree healthcare.

23 MR. ZECH: Court, do they have a separate
24 pension system?

25 MS. HUNT: No. So the court expenditures, as I

1 mentioned, that the court brought in more revenue this
2 year; they have some additional expenditures. So there's
3 a couple of other things that played into the change in
4 the expenditures for the year, so you were able to have,
5 at the top of the -- the top line would say that you saved
6 \$123,000, and the city didn't.

7 The active health insurance, they were able to
8 save that, but then there was some additional costs
9 related to the increased court activity that was
10 additional expenditures, of 317. So the net of all that
11 came to about a \$350,000 decrease in expenditures for the
12 year.

13 The following slide, if we turn to slide six,
14 again, just gives you a history of the expenditures for
15 the city. The city has continued to decrease expenditures
16 over the year, and cut costs, to be able to align with the
17 budget, but as Beth mentioned, one of the big things
18 that's been difficult to manage and control are the rising
19 pension costs.

20 For a little more history on that, if we turn to
21 the next page, on page seven, it gives you the history of
22 the funded status of both of the pension plans. And you
23 can see that the pension funding status decreased again
24 this year, and it's down to 21 percent for the police and
25 fire, and 16 percent for the municipal employees.

1 This really does put perspective, and it makes
2 sense on why those rising contributions are required,
3 because of the funded status.

4 And then page eight, is also a snapshot of the
5 pension contributions. Really, to show you how much it's
6 been increasing over the past few years. So overall, the
7 pension contribution, you can see from 6/30/15, the
8 contributions that the city made, and the total
9 contributions were \$4.8 million in 2015.

10 And then in 2016, there was an \$8.1 million
11 contribution. And it's important to note that that 8.1
12 does not include the \$900,000 short payment that was not
13 made. So this really, I think, highlights the fact that
14 you could save money in one respect, with the reductions
15 in the retiree healthcare, replacing that with a stipend.

16 We're hoping that that additional, you know, the
17 additional savings that you'd be able to do, use for that,
18 would be able to help with the other city's expenditures.
19 But it's really being used to help offset the life and
20 pension contributions.

21 So the 2017 budgeted amount does include that
22 extra \$900,000, to catch up to include -- to make the
23 payment that was short, the shortfall from the prior year,
24 and that's compared to what the 2017 required contribution
25 is. Actually, the recommended contribution is.

1 MR. BONDS: Can you explain what is meant by the
2 ARC, in the columns?

3 MS. HUNT: Yes. So the actuarial recommended
4 contribution is the contribution, of course, that the
5 actuary calculates, and indicates that should be deposited
6 into the pension system, to be able to meet the
7 obligations throughout the life of the system.

8 MR. BONDS: Thank you.

9 MS. HUNT: Then, those are the slides that we
10 had to do with the general fund. I have two quick slides
11 that have to do with two other funds. So the water and
12 sewer fund, we took a little bit of a look and an analysis
13 of that. If you looked at the current assets for the
14 water and sewer fund, and you added those together and
15 compared it to the current liabilities, the system does
16 have working capital of about \$2.3 million.

17 So they are able to meet their current
18 obligations, to be able to be current on the current
19 payments. And if you compare that to the line I have
20 there for the cash operating expenses, of \$6.9 million,
21 you know, it's about 30, roughly 30 percent -- 33 percent.

22 So they are adjusting rates, being able to meet
23 those current expenditures. One thing that the city
24 should keep in mind, though, is to also be able to build
25 up some reserves, for capital improvements. And sort of

1 long term maintenance to the system, and be able to handle
2 things if there's any emergencies.

3 The city has always been very good about
4 adjusting the rates, their water and sewer rates, to be
5 able to keep pace with the expenses. At this point, it
6 would be a good idea to also adjust those rates to be able
7 to put aside some funding for some future capital
8 improvements and emergencies.

9 That goes along with the following slide we have
10 on page ten, talking about developing some reserves. And
11 then also mentioning that the city does have a water loss
12 percentage of about 19 percent, which is kind of on the
13 high side.

14 It is a mature city, so that the lines there
15 have been in place for a long time, and so again, the
16 water loss is the difference between 100 gallons of water
17 that are purchased from Detroit Water and Sewer/GLIWA, and
18 the water that gets sold to the residents.

19 So there's a gap between what you purchase, and
20 then what you sell. This gap here is 19 percent. And
21 again, with some -- being able to put some maintenance
22 into the system, and be able to fix leaks, and identify,
23 sometimes, if you are in a position where you are able to
24 identify the leaks before you even know they occur, that
25 helps eliminate some of the water loss.

1 MS. THOMAS: Quick question -- what's the -- you
2 said 19 percent is high; what's average for a community of
3 this size?

4 MS. HUNT: It would depend -- that's a higher
5 size than I would see for someone. Ten percent or more,
6 really, you know, more, when it's been taken care of.

7 MR. COPPLER: Seven, eight.

8 MS. HUNT: Seven, eight. Some of the newer
9 communities that we've seen, especially, like townships
10 that are fast being -- a lot of growth in those areas that
11 other communities would see, would have very low water
12 loss because they would have new lines in there.

13 And so, when you have a fully built up city like
14 this, with some minimal, you'd see a higher rate than what
15 you'd see, perhaps, maybe out in Canton Township or
16 something like that. But 19's still, it's still higher
17 than what you'd like to see.

18 MS. THOMAS: And the assumption is that as you
19 build a reserve, to update the water infrastructure, this
20 number, in theory, should decrease?

21 MS. HUNT: Right.

22 And then the last slide that we have relates to
23 the sanitation fund, which is the special revenue fund.
24 So the city charges a sanitation fee to the residents, to
25 pick up for the garbage disposal. And so you pay the

1 hauler on a quarterly basis, and so it's a good idea to
2 have reserves in that fund, to have some fund balance.
3 Because you pay the hauler in advance, you pay them, they
4 perform the services, and then you collect from the
5 citizens.

6 So it's a good idea to have about one quarter's
7 worth of expenditures in reserve. And so the city is
8 making good progress to that; they have \$375,000 in
9 reserve, and the recommended minimum, if you want to think
10 about \$25,000 it would be certainly higher than that, at
11 about \$437,000.

12 And it's important to remember that when you
13 look at the receiver -- at the assets, a large portion of
14 the assets are in receivables, not necessarily cash,
15 because of the timing difference. You just want to make
16 sure that they have enough cash there, that they'll pay
17 that out. And not have to rely on general fund reserves
18 to do that.

19 MS. BAILEY: Are there any questions on the
20 graph presentation?

21 MR. BONDS: Not on the graphs; I have a -- are
22 you going to go over financials?

23 MS. BAILEY: Well, I was going to, in this
24 letter that's addressed to mayor and members of council.
25 Just really quick, because we've hit on a lot of these

1 thigs. I just wanted to point out, and this letter's
2 quite lengthy, but on page seven, we do have an analysis
3 at the bottom of page seven, that takes this year's
4 increase. The -- it's adjusting the increase in fund
5 balance for some of these onetime items.

6 So I just wanted to point that out, and then
7 another item that I think would be really helpful, is,
8 actually I'm going to flip over to page ten. This is, at
9 the bottom of page ten, there's a chart that talks about
10 the fines and forfeitures levels for the court, so as
11 Kristen mentioned, one of the big plusses this year was
12 that the court revenue was up significantly.

13 Expenditures were up a little bit, but net --
14 there was a very large net increase, having to do with
15 court activity. And you can see here, there's a five year
16 history. You can see that the fines and forfeiture
17 revenue has ranged anywhere from 1.4 million to 3.1
18 million, so that's, you know, obviously the amounts coming
19 in from tickets and so forth.

20 And the expenditures have ranged anywhere from
21 800,000 up to a million five, so you've got, really, a low
22 point in terms of the net add to the general fund of
23 \$100,000, back in 2012. And then \$1.7 million net in
24 2016. So again, it's very, I guess it's very subject to
25 fluctuations. Probably more so on the revenue side,

1 expenditure side; I think they're trying to do a good job
2 of kind of keeping that in check.

3 And you know the court did move to a multi-
4 jurisdictional court setup a couple of years ago, and so I
5 think part of that is an attempt, obviously, to help with
6 cost savings as well, with sharing that cost among the
7 three different communities.

8 We also have some suggestions in here for some,
9 both accounting treatment items, you know, revenue items.
10 I also wanted to let you know that in that federal
11 compliance audit, there are also several pages of findings
12 in there, most of those are financial statement findings,
13 since we only had one compliance finding actually related
14 to the grant.

15 So it's things like journal entries, and you
16 know, reconciliations and those types of things.

17 Questions?

18 MR. BONDS: Can we talk about financials?

19 MS. BAILEY: Sure.

20 MR. BONDS: Okay.

21 Actually, your whole report was very well done,
22 and we appreciate your recommendations. Those are very
23 well done.

24 MS. BAILEY: Thank you.

25 MR. BONDS: My question is on the finance

1 report, with supplemental information, on page seven.

2 MS. BAILEY: Seven?

3 MR. BONDS: Yeah. Where we talk about the city
4 as a whole.

5 MS. BAILEY: Okay.

6 MR. BONDS: And net positions.

7 MS. BAILEY: And why they're negative?

8 MR. BONDS: Yes. My question is, is focusing on
9 the -- if I go across the -- governmental activities and
10 the long term liabilities. What's making up that sheet of
11 liabilities there? What are we looking at, there?

12 MS. BAILEY: It's really two different items.
13 Of course, your long term debt would be in there, but
14 again, the city has very minimal long term debt.

15 MR. BONDS: Yes.

16 MS. BAILEY: So the two major balances that make
17 up long term liabilities are your unfunded pension
18 obligation --

19 MR. BONDS: Okay.

20 MS. BAILEY: So your total unfunded pension
21 obligation, if you looked at the two plans together, is
22 about \$96 million. And then the rest of that would be --
23 this is where it gets tricky -- the rules for pension
24 changed a year or two ago. And the rule now says, take
25 that unfunded pension obligation and drop it onto your

1 balance sheets. So that's included in that number.

2 On the retiree healthcare side, that reporting
3 has not caught up to that point yet. So for now, you're
4 not dropping your total retiree healthcare obligation onto
5 your balance sheet. Your total retiree healthcare
6 obligation is about \$110 million.

7 Again, if there is retiree healthcare, it's \$110
8 million. What's on your balance sheet is actually, number
9 one, an old number, because we did not adjust this number.
10 Because retiree healthcare, basically, was eliminated. So
11 we did not adjust the number; it's sitting out there.
12 What it was accumulated to, over time, and that number,
13 basically, is a reflection -- how much is it, \$17 million?
14 Seventeen point six million dollars of that long term
15 liability line item, is your retiree healthcare.

16 And what that number represents is, from a point
17 back in time when we first started measuring retiree
18 healthcare obligations, so let's say, five or six years
19 ago, you had to get valuations and figure that out. Every
20 year, the actuary would tell you, put in X dollars. And
21 the city would put in something less than X.

22 And so that difference, the underfunding on an
23 annual basis, for the last, say five or six years, has
24 accumulated to \$17 million. That's the number that's
25 sitting on your balance sheet. Once the issue with

1 retiree healthcare is completely resolved, that number's
2 just likely just going to go away.

3 And then we'll just have, it'll be replaced with
4 a measure of the present value of the liability associated
5 with paying the stipends. So you've switched out one plan
6 for a different plan, and again, the city did not pay an
7 actuary to run a valuation, either under the old method or
8 the new method, because we're waiting for all that to
9 settle down.

10 MR. BONDS: Okay. Is that part of the GASB 34
11 changes?

12 MS. BAILEY: Well, GASB 34, the statement you're
13 looking at is the government wide statement as part of
14 GASB 34. The recording of these liabilities, these long
15 term liabilities, is really GASB 68, and GASB 45, so.

16 MR. BONDS: Gotcha.

17 Questions?

18 MS. THOMAS: I have a -- obviously, with the
19 single audit and such, can you give us some feedback as it
20 relates to internal controls? You know, some of the areas
21 of opportunity that you've noticed in your time throughout
22 the audit?

23 MS. BAILEY: In the single audit report, or
24 federal awards report, we do have a few items noted. Bank
25 reconciliations would be one area, where maybe the bank

1 reconciliations aren't completely reconciled, so that
2 would be an item. We've had some issues with subsidiary
3 ledger detail maybe not matching what's recorded in the
4 general ledger.

5 We have sort of a catchall item in here as
6 finding number one, just regarding journal entries. So we
7 did have approximately 80 journal entries that were made
8 after the start of the audit. And I'd say that a lot of
9 those are year-end type entries.

10 We feel pretty confident on the entries that are
11 made during the year, and the accounting that's being done
12 during the year. It's just at the end of the year, there
13 was a lot of reliance on the audit -- auditor, to come in
14 and kind of help get things where they need to be on an
15 accrual basis, to be able to be reflected appropriately in
16 the financial statements.

17 And I mean, honestly, the accounting department
18 is very, very thin. So, as far as capacity, to be able to
19 get into these things, it seems like every year, you know,
20 we do meet with Lisa Griggs, and we talk about, you know,
21 hey these are things we did this year, can you do those?

22 And I think there's always the best of intention
23 that they're going to be able to take on more of that, but
24 I think when push comes to shove, and just with being
25 short staffed, you know, there's additional reporting

1 requirements for you, and the cash flow management process
2 is time consuming as well, when you're -- you know, when
3 you don't have huge fund balance.

4 So all said, I'd say, based on the number of
5 staff and their capacity, things look pretty good. But
6 they do need assistance to get everything wrapped up. So
7 I'm not concerned about the day-to-day, are the internal
8 controls there? Other than we mentioned, you know, some
9 items about bank reconciliations and so forth.

10 It's more that end of the year, you know,
11 reconciling everything and getting those entries made, so
12 that when we come in to do the audit, they hand us
13 everything and it's completely done.

14 MS. THOMAS: Now, and just -- 80 is high, that
15 is a high number of adjusted journal entries for any
16 entity. What was it in the prior years? Do you recall? Is
17 it growing, is it decreasing? What's your take on that?

18 MS. BAILEY: I see it -- it definitely has
19 decreased. I'd say two or three years ago, it was more
20 than that. So it has decreased, but it's kind of at a
21 point where it's levelling off a little bit, so we're not
22 seeing like further decreases.

23 And you know, that's an area I know that the
24 city is very eager to tackle. Obviously, that translates
25 into higher fees for us, and so, to the extent that we can

1 work with the city staff to offload some of that, I think
2 that's everybody's preference. But it's very difficult to
3 do, with the staffing levels that are currently in place.

4 MS. THOMAS: Thank you.

5 MR. BONDS: Any other questions?

6 (No response)

7 MR. BONDS: Okay.

8 Beth and Kristen, thank you so much for your
9 expertise.

10 MS. BAILEY: Thank you.

11 MR. BONDS: We appreciate it.

12 MS. BAILEY: Thank you.

13 MR. BONDS: Okay. Approval of resolutions and
14 ordinances for the city council meetings. Resolutions
15 from the regular city council meeting of December 5th;
16 there were numerous resolutions from the council meeting
17 that were approved at the last board meeting.

18 Chair will entertain a motion to approve the
19 remaining resolutions from the December 5th, 2016, regular
20 city council meeting, with the exception of Resolution
21 2016-361, which is the execution of the SAW grant
22 documents.

23 MS. THOMAS: So moved.

24 MR. ZECH: Support.

25 MR. BONDS: Any discussion on the motion?

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(No response)

MR. BONDS: Hearing none, all those in favor signify by stating aye. Aye.

MS. THOMAS: Aye.

MR. ZECH: Aye.

MR. BONDS: Any opposed, none.

Mr. Coppler, on Resolution 2016-361, which is the execution of the SAW grant.

MR. COPPLER: Thank you. If you -- I think we've talked about this in the past. The city, some time ago, did apply to DEQ, state Department of Environmental Quality, for a SAW grant, which is a Sanitary Assets and Wastewater grant. That allows us to review our systems, our sanitary systems and our storm water systems, to find where they're leaking, where we need to start spending the money.

This is also part of our strategy to develop a good five-year capital plan. So we are fortunate enough to get awarded a \$2 million grant, through DEQ, to pursue those goals. We are going to have to put forward an amount of \$444,000 over that time -- I just wanted to be accurate that way. I don't know why I just couldn't remember all those fours.

MR. BONDS: Hard number to forget.

MR. COPPLER: Yes.

1 But as I said, this is important to our long-
2 term wellbeing for our sanitary and storm water systems.
3 As you've heard many times over, we have a number of
4 issues, and this is the start of correcting those.

5 MR. BONDS: The chair will entertain a motion to
6 approve, deny or postpone Resolution 2016-361, which is
7 the execution of the SAW grant.

8 MR. ZECH: So moved.

9 MS. THOMAS: Support.

10 MR. BONDS: Properly moved and supported; any
11 discussion on the motion?

12 MS. THOMAS: I have a quick question. With some
13 of this, with the SAW grant, in some communities, what
14 they're doing is using this to offset, you know,
15 obviously, you typically would use reserves to fund some
16 of these types of projects. Are we finding that these
17 grants -- are we planning, so that these grants can, I
18 guess, benefit the city in the long run?

19 MR. COPPLER: So, one of the concerns we had
20 from the very beginning with this, is that we're not using
21 this to solve the issue of the day, but rather using it to
22 solve the system's issue. Because I think, you know, I
23 agree with your sentiment that a lot of communities,
24 rather than look down the road and say this is what we
25 should be doing, they kind of say, well we have this issue

1 here, let's solve it.

2 Undoubtedly, some of the issues of the day are
3 going to be solved by doing this, but hopefully before
4 they become the issues of the day. We have laid out, with
5 the engineering firm that'll be doing it, which is
6 Hennessy, which is our contracting engineer, a work plan,
7 to try to make sure that those issues don't pop up, and we
8 deviate from that.

9 Part of the strategy is going to be actually
10 funding, on an annual basis, for those type of you know,
11 one off issues that kind of pop up out of nowhere.

12 MS. THOMAS: Okay, so there is a full plan for
13 the entire system, and this right here is going to be
14 utilized to help fund aspects of that?

15 MR. COPPLER: Yeah, well, see, this is primarily
16 going to be the inspection and engineering part of it, so,
17 there won't be any capital type of projects coming out of
18 this. But there will be a lot of sewer cleaning, and
19 camering, both in the storm sewers as well as the sanitary
20 sewers. So we can develop, you know, what is the status
21 of basically the asset management piece of this. What do
22 we have to replace, and how do we have to go about it.

23 MS. THOMAS: Sounds good, thank you.

24 MR. BONDS: Any other questions?

25 (No response)

1 MR. BONDS: Hearing none, all those in favor
2 signify by stating aye. Aye.

3 MS. THOMAS: Aye.

4 MR. ZECH: Aye.

5 MR. BONDS: Any opposed, hearing none, motion's
6 passed.

7 Resolutions from the regular city council
8 meeting of December 19th, 2016. Chair will entertain a
9 motion to approve resolutions from this meeting, which is
10 the regular city council meeting.

11 MS. THOMAS: So moved.

12 MR. ZECH: Support.

13 MR. BONDS: Moved and supported; any discussion
14 on the motion?

15 (No response)

16 MR. BONDS: Hearing none, all those in favor
17 signify by stating aye. Aye.

18 MS. THOMAS: Aye.

19 MR. ZECH: Aye.

20 MR. BONDS: Any opposed?

21 (No response)

22 MR. BONDS: Hearing none, motion passes.

23 City manager's items one through three. While
24 action on items one through three occurred during a
25 council meeting outside the normal review for today's

1 board meeting, the city manager is requesting that we
2 bring these items forward for early review.

3 The city council approved these items at their
4 January 3rd, 2017, council meeting. Item one, which is
5 the approval of Resolution 2017-04, which is the awarding
6 of bid for demolition of 839 Lincoln to Direct
7 Construction Services. This is not to exceed \$6,850.

8 Mr. Coppler?

9 MR. COPPLER: Yes, as you're aware, we've gone
10 through the dangerous building board process, as well as
11 the council approval process, for demolition of 839
12 Lincoln. It went out to bid, and we've recommend the
13 Direct Construction Services LLC be awarded that bid, to
14 demolish the building. Our funding for this is coming
15 through CDBG.

16 MR. BONDS: CDBG.

17 The chair will entertain a motion to approve or
18 deny Resolution 2017-04, which is the award of the bid for
19 demolition.

20 MR. ZECH: So moved.

21 MS. THOMAS: Support.

22 MR. BONDS: Properly moved and supported; any
23 discussion on the motion?

24 (No response)

25 MR. BONDS: Hearing none, all those in favor

1 signify by stating aye. Aye.

2 MS. THOMAS: Aye.

3 MR. ZECH: Aye.

4 MR. BONDS: Any opposed, hearing none, the
5 motion passes. Resolution 2017-10, which is awarding the
6 bid for retention basin pond protection project. The
7 amount is not to exceed \$149,264 plus \$22,436 in
8 contingency.

9 Mr. Coppler, please.

10 MR. COPPLER: So, adjacent to our retention
11 basin is a pond that acts, I believe, as a mechanism for
12 the overflow that's coming off the area. This,
13 unfortunately, has been eroding away, and I believe
14 there's a water line, as well as a parking lot adjacent to
15 it, that we have concerns will be eaten up because of that
16 erosion.

17 And so a project was put together and actually
18 bid out about the middle part of last year, and the
19 numbers came in well above what the engineering estimate
20 was. And so we rejected those and went back, re-tooled
21 the bid, and went back out. And we got a better package,
22 that meets our financial capabilities, to address that
23 situation.

24 MR. BONDS: Any questions?

25 (No response)

1 MR. BONDS: The chair will entertain a motion to
2 approve, deny, or postpone Resolution 2017-10.

3 MR. ZECH: So moved.

4 MS. THOMAS: Support.

5 MR. BONDS: Any discussion?

6 (No response)

7 MR. BONDS: Hearing none, all those in favor
8 signify by stating aye. Aye.

9 MS. THOMAS: Aye.

10 MR. ZECH: Aye.

11 MR. BONDS: Any opposed?

12 (No response)

13 MR. BONDS: Hearing none, motion passes.

14 Resolution 2017-12, which is approve, planning,
15 development and authorizing the approval of the necessary
16 planning and development agreement, and zoning ordinance.
17 Which is amendment for 2115 Fort Street.

18 Mr. Coppler?

19 MR. COPPLER: Yes. As you may or may not know,
20 we have a White Castle here just around the corner from
21 us. And it's been here in business probably since the
22 50's, and has been in the building since the 1980's. So
23 this is, I think, the second building that's currently
24 existing.

25 They've come to us to tear it down and build a

1 newer facility, that better addresses their new
2 methodologies, and providing services to the customer.
3 Unfortunately, the zoning of that parcel's changed over
4 the years, and currently is a non-conforming use. A
5 legal, non-conforming use.

6 Of course, unfortunately, that code states that
7 if you go to try to expand it or rebuild it, you're now
8 out of conformance. You can't rebuild what's there. So
9 we needed to be a little bit creative and look at the
10 zoning code that we had. And try to come up with the best
11 way for them to achieve their goals, but also at the same
12 time, address the concerns of why we zoned it the way that
13 we zoned it.

14 Now, this is in our downtown area, and so as
15 you're probably familiar, we're trying to get a more
16 walkable downtown. And that's why we get rid of drive
17 throughs, because they kind of conflict with the walking
18 portion of the downtown.

19 Through the planned unit development process, we
20 were able to accommodate the drive through, and at the
21 same time, negotiate some of those elements of making it a
22 walkable facility, so we can meet, at least, most of the
23 desires of what the zoning would have required there.

24 We got more plantings, more buffers in some
25 areas. Plus an outdoor seating area, to go along with

1 this. So we were able to come to a very good compromise
2 that allows, really, a \$2 million project in the downtown
3 to go forward.

4 MR. BONDS: Great. Okay.

5 Chair will entertain a motion to approve --

6 MR. COPPLER: Just real quick --

7 MR. BONDS: Yes sir.

8 MR. COPPLER: What you'll be seeing at the next
9 meeting, the companion ordinance that actually amends the
10 zoning code.

11 MR. BONDS: The zoning for this. Thank you, Mr.
12 Coppler. So we will -- chair will entertain a motion to
13 approve, deny or postpone Resolution 2017-12.

14 MS. THOMAS: So moved.

15 MR. ZECH: Support.

16 MR. BONDS: Moved and supported properly; any
17 discussion?

18 (No response)

19 MR. BONDS: Hearing none, all those in favor
20 signify by stating aye. Aye.

21 MS. THOMAS: Aye.

22 MR. ZECH: Aye.

23 MR. BONDS: No opposed, motion passed.

24 Items four through eight are appointments made
25 by the city manager. Chair will entertain a motion to

1 approve, deny or postpone city manager's item four through
2 eight.

3 MS. THOMAS: So moved.

4 MR. BONDS: Properly moved.

5 MR. ZECH: Support.

6 MR. BONDS: And supported. Any discussion on
7 the motion?

8 (No response)

9 MR. BONDS: Hearing none, all those in favor
10 signify by stating aye. Aye.

11 MS. THOMAS: Aye.

12 MR. ZECH: Aye.

13 MR. BONDS: Any opposed, hearing none, motion
14 passes. The following items, items nine through fourteen,
15 are financial reports and they are received and filed.
16 Are there any questions by any board member on these
17 items?

18 MR. ZECH: No.

19 MR. BONDS: All right. Now we're going to move
20 right down to the city administrator report, and Mr.
21 Coppler has dutifully provided a nice summary of the ice
22 arena cost analysis.

23 MR. COPPLER: This is something that I'll
24 actually be taking up with the city, the mayor and city
25 council tonight, to get a direction on that. As you're

1 aware, the budget that we put together effectively would
2 get us through the end of January.

3 We probably have a little bit more room, to go
4 beyond January 31st, the way the budget's working out.
5 Overall, our revenues have not met what we projected in
6 that budget amendment. But the good news is that our
7 costs also have not met what our expectations were, so
8 we're actually a little bit ahead of where we thought we'd
9 be, when we get to the end of January.

10 There's still a lot of discussion with mayor and
11 council, probably tonight, to go over, but you know, a
12 longer term strategy is something that we're really doing
13 to have to address, and the thoughts that we had this year
14 was just to get this ice season, so we could have little
15 bit more time. Plus have the luxury of being able to go
16 through our budget to you know, address some of the things
17 that we know.

18 We thinned the very staff -- or, we staffed it
19 very thinly. As we are apt to do around here, to make
20 things work. Unfortunately, you know, that kind of
21 prevented us from having a very aggressive and active ice
22 selling program. And as you're well aware, if you're not
23 selling ice, you're not making any money on these things.

24 And so we're probably going to have to look, if
25 we're going to long term manage this ourselves, look at

1 staffing up a little bit more than what we've done this
2 year. Again, we might be able to control that a little
3 bit better through the budget process, but I still have a
4 lot of concerns about our ability to generate the revenue.

5 Generally, communities will have a ice program,
6 where they'll have their own teams. You know, the City of
7 Lincoln Park's teams long ago left and went to other
8 facilities, so we don't really draw from a hometown, you
9 know, five, six, eight, whatever it is, a youth hockey
10 program.

11 So there are some challenges here. I think
12 short term, and that's all we're looking at right now. We
13 probably have the capacity to make it through to the end
14 of February. We were trying to make it through the end of
15 March; I think we can make it through the end of February
16 without going too far out of what we've budgeted for this
17 year.

18 There are some opportunities that may increase
19 some of the ice time being sold, but I don't think that
20 beyond February, there's going to be any opportunity to be
21 on the positive side of the revenue versus expenditures.
22 So we're going to talk quite a bit about it tonight, but
23 the recommendations I have, which I have provided to you
24 as well, is, you know, end it February 28th, and authorize
25 us to go out to bid for either a contract operation, or a

1 lease operation. That'll be for the following year.

2 MR. BONDS: Any questions on this particular
3 item?

4 MS. THOMAS: I had a quick question. Just --
5 if, support; obviously, you're going to talk about it
6 tonight. Is this something that the community is getting
7 behind, or just, what's the litmus test on some of those
8 matters?

9 MR. COPPLER: You know, when mayor and council
10 discussed this, back last fall, there was some outpouring
11 of people coming in. You know, wanting to keep it open.
12 Again, my, in looking at the numbers, you know, our -- the
13 program, the open skate program, which would be a good
14 indicator of community support, that's more likely going
15 to be local residents coming into it.

16 It's not able to cover and can barely cover the
17 costs of having an open floor those periods that we have
18 it open. And so from that perspective, there's not a lot
19 of programming that's going on, that I think is addressing
20 the residents. The ice time that's being sold is by teams
21 outside of the city, looking for excess ice.

22 And you know, this is my personal belief, so I'm
23 not reflecting what council's, or the mayor and council's
24 going to be thinking about this. But you know, what I
25 have put forward is that, you know, these are tax dollars

1 from our residents. You know, we shouldn't be using our
2 tax dollars to support other communities' programs.

3 And so I think that's the challenge. If we can
4 figure a way to get, you know, change that dynamic, like
5 it was when we had our own hockey program here. I think
6 it's a different matter altogether, but without a large
7 outpouring of people renting ice time that are residents,
8 you know, we're still going to be in that same situation.

9 When it was being leased out to the company that
10 turned it back to us, we really didn't care that much,
11 because it wasn't tax dollars going into it. But even at
12 that time, the major supplier, or major purchaser of ice,
13 was the Allen Park hockey program.

14 So you know, and I think the other thing that we
15 also have to come to grips with, is that there are a lot
16 of capital projects that need to be done with this
17 facility. The booking system is beyond its useful life,
18 and we're going to have to replace that.

19 That's going to be an expensive little
20 operation, and again, that's city tax dollars going to
21 support a program that may or may not be really providing
22 a lot of service to the residents.

23 MR. BONDS: I just have one quick question, Mr.
24 Coppler, on this. Is, has this been presented to like,
25 the local business chambers, to see about possibly getting

1 a private partnership involved? You know, take over the
2 sponsorship, as they do with other sports, summits, or
3 arenas, or venues?

4 MR. COPPLER: No, it has not. We just really
5 haven't had the time to get to do that.

6 MR. BONDS: Had the time, and staffing.

7 MR. COPPLER: But I think again, that goes back
8 to if we had the proper staffing that, you know, the --
9 those staff members would then have the time to go out and
10 do a proper, aggressive approach. Not only to sell into
11 the ice, but also selling of the advertising spaces.

12 MR. BONDS: The venue, yes.

13 MR. COPPLER: Because there's a lot of
14 opportunity, not just the naming of the arena, but also,
15 you know, as I've always been taught, if it's flat you can
16 put a sign on it. If you put a sign on it, you have to
17 sell it, so there's a lot of opportunities like that.
18 Just again, without the time and the staff to do it, you
19 just don't have that.

20 So again, the strategy was to get us through
21 this ice season, which would then give us more time to put
22 together a plan for next year. And I think that -- I
23 don't think it's going to be as likely that we can find
24 someone to lease it under the same terms that we had
25 before, but you know, that's probably going to be the best

1 way to manage our costs, going forward.

2 MR. BONDS: Well, we appreciate your counsel,
3 and your work on this. Thank you.

4 Public comment?

5 MR. VAN de GRIFT: Only one, city councilman
6 Kelsey.

7 MR. KELSEY: Thank you. Good afternoon, 2017.

8 MR. BONDS: Yes, sir.

9 MR. KELSEY: The only comment I'd like to make
10 is, I guess the ice arena, I'll keep that comment until
11 next, because we're going to talk about that tonight,
12 among the council as a whole.

13 My concern, I guess, and this might not be an
14 item for the RTAB or not, I'm not sure. Previously we've
15 had a problem with the Great Lakes Water Authority, which
16 would hit the news, and hit the everything else.

17 I guess we pay a lot of money to that authority
18 to use the water, okay, like everybody else does. And we
19 use it for, it's a commodity, we buy the water. But you
20 know, I just got a postcard in my mailbox talking about,
21 we're going to reach out to elected leaders, blah blah
22 blah, and timing's everything in this business.

23 Which is kind of funny, because they did it when
24 this issue happened. I would expect that, you know, that
25 as a member of city government, that my partners, which is

1 the Great Lakes Water Authority, would be more
2 responsible, based upon what happened in Flint, and the
3 public's perception of what happens, okay?

4 I had numerous phone calls over the weekend,
5 over the Martin Luther King weekend, and emails to me
6 about what was going on, okay? Because it started hitting
7 the news, and the newspapers. I read both the Free Press
8 and the local Heritage paper, and it was in there.

9 And all it had on it was a standard comment
10 about, blah, blah, blah. You know, I would hope that
11 somebody would convey the message to our partners that
12 they need to do a better job of more or less getting out
13 ahead of things.

14 I can remember when the private industry had a
15 problem with the Bayer aspirin and all that stuff, where
16 the CEOs got out in front of it, and started going out and
17 address the issues. I would expect that same kind of
18 rapport, same kind of process from my elected officials in
19 that position.

20 And the reason I'm saying that is because I'm
21 not sure how our complaints are going to be addressed on
22 there, because normally, on the email that I got, it says
23 address your concerns, at the very bottom from the
24 questions from the GLWA, was contact your local
25 municipality.

1 Why are they calling me?

2 I mean, I've got it right there but why are they
3 calling me?

4 I mean, this is the kind of stuff that makes
5 these residents or the customers very upset with public
6 official, including us down at this end. Because they
7 don't see the GLWA. I don't see them either, but yet who
8 do they see? Me. Who do they call?

9 Me. Who do they email? Me.

10 And the rest of the council, and the rest of us.
11 And here I get a document put out there that says, oh, no
12 problem, you just call your local government. I mean,
13 talk about an oxymoron on that. I don't understand that,
14 okay, I guess that's, again, I don't know if that's an R,
15 you know, but it's an issue that we have to deal with when
16 you talk about trying to build a community up and build a
17 rapport with your customers or residents. That doesn't go
18 too far, but I don't control that. Thank you.

19 MR. BONDS: Thank you very much.

20 Board comment?

21 MR. ZECH: I have two.

22 MR. BONDS: Yes, sir?

23 MR. ZECH: The City of Southgate feels very
24 similarly relative to the Great Lakes Water Authority, and
25 what they've failed to do over the past couple of weeks.

1 And I fully agree with you, councilman.

2 Secondly, I wonder if somewhere in the upcoming
3 budget, that you're putting together, will there be some
4 money set aside to bring in one of those companies that
5 can help you with your leak detection, to lower your water
6 loss, from 19 percent, maybe get it down more.

7 But I know there are several companies that will
8 do that, with their listening devices, and I'm sure John
9 is aware of them, and all. Are you hoping to do that, in
10 part of your upcoming budget? Your budget will go to
11 council in April?

12 MR. COPPLER: Actually, it will be April, May,
13 hopefully approved in June. So yeah, that's kind of one
14 of the other strategies, you see the storm water and waste
15 water, we're addressing that, and you know, unfortunately,
16 we're going to have to be addressing the water system, you
17 know, through our own means, so, yes. We'll be looking at
18 a number of different strategies to curtail those leaks.

19 MR. ZECH: And have you done any water main
20 lining projects so far? The state has the Drinking Water
21 Revolving Fund?

22 MR. COPPLER: Yeah.

23 MR. ZECH: And it's obviously it's not free
24 money, but have you looked --

25 MR. COPPLER: Well actually, we're looking,

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actually got a estimate from Hennessy Engineer on what the DWRF -- so we're looking at going that route.

MR. ZECH: Okay. Well, Hennessy Engineers are real familiar with the Drinking Water Revolving Fund. And I have personal experience with it.

MR. BONDS: Any other questions? Or comments?

(No response)

MR. BONDS: If not, motion for adjournment.

MS. THOMAS: So moved.

MR. ZECH: Support.

MR. BONDS: Adjourned. Thank you all.

(Proceedings adjourned at 2:04 p.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 17th, 2017, City of Lincoln Park. 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 25, 2017

s/ Amy Shankleton-Novess

Amy Shankleton-Novess (CER 0838)
Certified Electronic Reporter