

Financial Review Commission Minutes

APPROVED – NOVEMBER 21, 2014

November 12, 2014 – 9:00 a.m.
McGregor Memorial Conference Center
Wayne State University
495 Ferry Mall
Detroit, MI 48202

Call to Order

Treasurer Kevin Clinton called the meeting to order at 9:03 a.m.

Roll Call

Members Present - 9

Kevin Clinton
John Roberts
Bill Martin
Mike Duggan
Brenda Jones
Tony Saunders
Darrell Burks
Lorron James
Stacy Fox

Members Absent - 0

Let the record show that all Commission members are present.

Introduction

All Commission Members introduced themselves.

Public Act 181 of 2014

Treasurer Clinton - Public Act 181 of 2014 created the Financial Review Commission. This Commission, among other things, is responsible for ensuring that a qualified city is meeting certain statutory requirements. For example, this Commission can review and approve a City's four-year financial plan, contracts exceeding \$750,000, collective bargaining agreements, operational budgets of the City and requests by the City to issue debt. The Commission will steer the development and implementation of financial best practices to provide for the health, safety, and welfare of citizens. We will discuss this public act in more detail after discussing new business today.

Consideration of Resolution 2014-1 (Designation of Secretary)

Motion made to approve Resolution 2014-1 to designate a secretary (Angela Dempkowski, of the Michigan Department of Treasury) to record minutes of meetings and to maintain any records maintained by the Commission.

Motion moved by S. Fox, supported by B. Martin, the Commission unanimously approved the motion to adopt Resolution 2014-1 (Designation of Secretary).
9 ayes, 0 nays

Agenda

Motion made to approve the agenda.

Motion moved by D. Burks and supported by J. Roberts, the Commission unanimously approved the agenda,
9 ayes, 0 nays

New Business

Consideration of Resolution 2014-2 (Posting of Notice Designation)

Motion made to approve Resolution 2014-2 for posting of notice designation.

Motion moved by J. Roberts and supported by D. Burkes, the Commission unanimously approved the motion to adopt Resolution 2014-2 (Posting of Notice Designation). 9 ayes, 0 nays

Administrative Reports

Presentations by Steven Howell, Dickenson Wright and Valerie Brader, Governor Snyder's Office

Transition from Chapter 9

Valerie Brader gave an overview of timeline and key next steps in the bankruptcy proceedings.

Overview of Public Act 181 of 2014

This act allows for the creation of the Financial Review Commission. Your duties under this act are to assure the City is complying with the terms and conditions of this act and of the plan for adjustment. By October 1 of every year this Commission shall certify that the City is in substantial compliance with the provisions of this Act.

The Emergency Manager is required to have a 2-year budget before his exit. This Commission will make sure it is compliant.

The 3rd week of February, the City will have a revenue estimation conference. City officials will discuss the four year actual plan and estimate what the revenues of the City will be. This Commission shall review and approve the four year financial plan and revenue estimation.

No later than March 23, the City will submit a 4 year financial plan. The commission can approve or disapprove the plan within 30 days of receipt. If disapproved, the Commission shall provide rationale in writing for the disapproval and the City shall submit a revised plan within 15 days that comports with the commission's rational for rejection. The Commission shall approve or disapprove that revised plan within 15 days.

The City will submit a certified budget no later than June 30th of each year.

On June 1 and December 1 of each year in which the Commission has oversight of the City, the Commission shall file a written report with the Governor.

The Commission shall approve all Collective Bargaining Agreements (CBAs) including any addendums to those agreements, to which the City is a party after approval by the governing body and Mayor of the City. Approval or disapproval shall be within 45 calendar days of submission. Any CBA's approved previously by the Emergency Manager continue to stay in effect. Your approval will be for those CBA's that are expiring in the future.

45 days prior to the beginning of the City's fiscal quarter or year, the Mayor, governing body, and CFO of the City shall certify in writing to the Commission the amount of debt service due on bonds, leases, or other municipal debt. This report will be very important to this group. This Commission has the ability to require any reports that are needed.

The position of Chief Financial Officer may not be removed without Commission approval and a new one cannot be approved without Commission approval. This is a mayoral appointment but this group must approve. CFO will be a major source of information to this group.

This Commission may perform any other duties assigned by the governor.

Overview of PA 182 of 2014 - The City's budget must include the contributions for each fiscal year necessary to ensure that pension systems for actives and retirees are adequately funded. The plan for adjustment requires 10 years funding from non-general funds, after that time the City will be required to make contributions to the plan to accommodate potential reductions and potential revenues or increase of expenditures.

The plan needs to include a general reserve fund for each fiscal year in the City's budget to cover potential reductions in projected revenues or increases in projected expenditures equal to not less than 5% of the projected expenditures for that fiscal year.

Each fiscal year, any deficit incurred prior to the fiscal year end must be remedied by this Commission.

Questions of the Commission

Mayor Duggan inquired as to whether he was to sign an Oath of Office. Staff will follow up on this matter.

Mayor Duggan stated his intention to nominate John Hill as the new CFO and inquired as to whether he could do that now or is he required to wait until the effective date of the plan. Response is that he can submit his nomination now and it would be subject to the effective date.

Mr. Burks inquired if this deficit must be eliminated in one year or can it be over several years. Response is that PA 182 provides for an elimination of deficit for one year.

Review of EM Orders for Transition

Some of the items that have been identified as the most challenging areas of instability are in three areas - Human Resources, Information and Technology, and the financial structure of the City. All are mentioned in the courts expert report that is provided to you.

Human Resources will be restructured. The HR director is empowered to take all actions necessary to be compliant with plan of adjustment. The expert report lists those positions that are going to be directly affected. The HR director has authority to set compensation for those positions, the ability to determine the placement of those positions including selection and removal subject to any CBA's. All will be filed with the Clerk.

Innovation and Technology will be under the direction of the Chief Information Officer and will provide for a centralized information technology organization structure within the Department of Information and Technology. There have been significant challenges regarding the computer systems that need to be corrected.

There will be consolidation of many of the City's financial actions that will be organized under the Office of the Chief Financial Officer. These include Offices of the Assessor, Treasurer, Controller, Contracting and Procurement, Grants, Budget and Financial Planning & Analysis. This will allow the CFO the authority to modify the organization components or titles/job descriptions.

Expert Reports

Martha Kopaz was appointed by the judge to file an opinion regarding the feasibility of the City of Detroit Plan of Adjustment. She filed her initial report and two amendments that resulted in actions from settlements. The question she was asked to study was "Is it likely that the City of Detroit, after the confirmation of the Plan of Adjustment, will be able to sustainably provide basic municipal services to the citizens of Detroit and to meet the obligations contemplated in the Plan without the significant probability of a default?"

Feasibility of the Plan is very important to the judge. In this case there are three components to the long success of the City - 1) Workable long-term plan; 2) Human Resources and; 3) commitment to implement the plan. The expert reports provide a nice overview for this board to follow through major elements planned and major concerns by parties by the expert.

Public Comment

Motion made to approve public comment is limited to no more than two minutes per person.

Motion moved by J. Roberts and supported by D. Burks, the Commission unanimously approved the motion that public comment be limited to no more than two minutes per person.

9 ayes, 0 nays

Public Comment Speakers

John Love
Marie Thornton
Peter Hammer
Richard Fahoan
Dawn DeRose

Treasurer Clinton notified the public that the next Financial Review Commission is scheduled for November 21, 2014 at 9 am at the Michigan Gaming Control Board Room in the annex of Cadillac Place.

Adjournment

Motion made to adjourn.

On a voice vote the Commission unanimously approved the motion to adjourn.
9 ayes 0 nays

There being there is no further business, the meeting is adjourned at 9:57 a.m.

Respectfully submitted

Angela Dempkowski
Board Secretary