

Financial Review Commission Meeting Minutes

APPROVED DECEMBER 5, 2014

November 21, 2014 - 9:00 am
Cadillac Place
Michigan Gaming Control Board Meeting Room
Annex, Suite L-700
3062 Grand Boulevard
Detroit, MI 48202

I. Call to Order

Treasurer Kevin Clinton called the meeting to order at 9:08 am

II. Roll Call

Members Present - 8

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

Members Absent - 1

Darrell Burks

Let the record show that all Commission members are present with the exception of Darrell Burks who is absent.

III. Agenda

Treasurer Clinton noted that New Business item V. a. Consideration of Resolution 2014 - 3 (Adoption of Bylaws) will be removed from the agenda and placed on a future agenda.

Motion made to approve the agenda as amended.

Motion moved by M. Duggan and supported by B. Martin, the Commission unanimously approved the agenda. (8 ayes, 0 nays, 1 absent)

IV. Approval of Minutes

Motion made to approve the draft minutes of the November 12, 2014 meeting as presented.

Motion moved by B. Martin and supported by J. Roberts, the Commission unanimously approved the minutes of November 12, 2014 as presented. (8 ayes, 0 nays, 1 absent)

V. New Business

a. Consideration of Resolution 2014-4 (Adoption of Regular Meeting Schedule)

Motion made to approve Resolution 2014-4 to adopt the Commission Regular Meeting Schedule for 2015.

Motion moved by J. Roberts and supported by L. James, the Commission unanimously approved the motion to adopt Resolution 2014-4 (Adoption of Regular Meeting Schedule). (8 ayes, 0 nays, 1 absent)

VI. Administrative Reports

a. Overview of the Freedom of Information Act and the Open Meetings Act

Jim Kelly of the Office of the Attorney General presented an overview of the Freedom of Information Act (FOIA) that included the right to inspect public documents, fees, timeline for responding to requests, appeals, and materials that are exempt. He also presented an overview of the Open Meetings Act (OMA) that included the basics; decisions made in public meetings, closed session, public comment, quorum, voting, and parliamentary procedures. (Hand out provided.)

b. Review of Key Timelines related to PA 181-190 of 2014, and the City of Detroit's Budget Process

John Hill, CFO of the City of Detroit, presented an overview of the City of Detroit's budget process and key timelines. He stated that the City should have a thorough understanding of the economy of City by the third week in February, when the first Revenue Estimating Conference is held, as required by PA 182 of 2014.

The City will present a 4-year financial plan not later than March 23, 2015. Within 30 days of receipt, the Commission shall approve or disapprove the 4-year financial plan. PA 182 of 2014 mandates that a Revenue Estimating Conference will be held in the third week of February, and in the second week of September every year. This will help ensure accurate revenue projections, and will enable the City make to adjustments where needed. A 2-year budget is required as part of the bankruptcy exit plan. It is anticipated that the City will turn in this 2-year budget by the first week in December.

The Mayor stated that the City realizes that it will have to move its current budget review process forward by a couple of months in order to comply with statutory requirements. He stated that the City intends to fully comply with the timeline and staff will provide a schedule of their new process to the Commission.

c. Overview of the City of Detroit's Plan of Adjustment

John Hill and Gaurav Malhotra of Ernst and Young presented an overview of the City's Plan of Adjustment. The Plan of Adjustment will reduce a significant amount of debt while providing net investment funding in the future of Detroit. Implementation of the Plan has already begun. Currently, staff is working to convert this Plan into a budget that the City will use to operate from.

The majority of pension contributions for the first ten years will come from DWSD. Monies will also come from the General Fund and those have been capped. Ms. Fox inquired as to how is it possible for the City to look at this and be able to plan ten years out. The investment net return of adjustments is capped for 10 years. This is just an annual exercise. The City will monitor the liability ten years out at all times.

Mr. Martin inquired about the interest rate, if the loans can prepaid, and if the credit rating improves can the interest rates be lowered? There are no prepayment penalties but interest on new notes will be a fixed rate.

Mr. Saunders inquired if the exposure is limited for the first ten years for GRS and are other stakeholders required to make payments? Also, if they don't meet obligations what happens? There is an annual schedule used for contributions. State money is coming up front, while Foundation money will come at different times. There is not an offsetting provision if money doesn't come in. The General Fund is not liable.

Mr. Roberts inquired if the investment committee will be paying attention to the money coming in. There was discussion regarding what the City was spending prior to the restructuring as well as how the City will spend with the restructuring. The City will embark in an investment process. Further discussion took place regarding reinvestment and restructuring costs, revenue initiatives, and cost saving initiatives.

d. Discussion of KPMG Audit Activities

John Naglick, Finance Director for the City of Detroit, gave a summary of the KPMG audit findings.

The Uniform Budget and Accounting Act requires an audit to be filed by six months after the end of the fiscal year. The City of Detroit's due date is December 31, 2014. Due to the pension plans not being able to issue their statements by then, this due date will not be met. The City will request an extension to March 31, 2015.

The state of the City's internal controls for the financial system is poor. The basics of a new financial system are currently in place; other modules will follow within the next 12 months. The cost of the system is less than what is budgeted for in the Plan. The actual cost will be no more than what the City currently pays.

The Mayor stated that it is critical for the City to not bring bad processes to a new system. Staff is currently overhauling their current internal processes as they move forward with the new financial system. It may go slower, but it will be implemented in a very confident manner.

The Commission asked the City to provide periodic reports on the processes for the implementation of the new financial system. The City will also provide the Commission with a draft reporting package for all other items that fall under the Commission's purview. The Commission can review that packet and move forward from that point on to ensure that statutory compliance is met.

Public Comment

None.

Announcement of Next Meeting

Treasurer Clinton notified the public that the next Financial Review Commission meeting is scheduled for December 5, 2014 at 9:00 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.
8 ayes, 0 nays, 1 absent

There being there is no further business, the meeting is adjourned at 10:33 am.