

DETROIT FINANCIAL REVIEW COMMISSION

REGULAR MEETING

Monday, August 24, 2015 at 2:30 p.m.
Cadillac Place
Conference Room L-150
3062 W. Grand Boulevard
Detroit, MI 48202

MINUTES

APPROVED – SEPTEMBER 28, 2015

I. Call to Order

Nick A. Khouri called the meeting to order at 2:37 p.m.

II. Roll Call

Members Present - 8

Darrell Burks
Mike Duggan
Stacy Fox
Lorron James
Nick A. Khouri
Bill Martin
John Roberts
Tony Saunders

Members Absent - 1

Brenda Jones

Let the record show that 8 Commission members were present and one Commission member was absent. A quorum was present.

III. Approval of Minutes

Motion made to approve the draft minutes of the July 27, 2015 FRC meeting as presented.

Motion moved and supported, the Commission unanimously approved the minutes of the July 27, 2015 FRC meeting as presented.

8 ayes, 0 nays

IV. Executive Director's Report

Executive Director Ronald Rose reported that he is working with the Mayor and his staff to review ongoing negotiations for the City bus drivers' contract, which will be subject to FRC approval.

V. Administrative Reports

Blight Presentation

Chairman Khouri invited Mayor Mike Duggan to give a presentation on blight.

Mr. Duggan provided information on his global blight strategy, including demolition and rehabilitation initiatives for residential properties, commercial properties, and abandoned schools. He also discussed funding sources, results to date, and other issues.

VI. Consideration of Contract Approval Requests

Public Act 181 of 2014 requires the Financial Review Commission to review and approve contracts meeting any of the three following criteria: 1) the contract exceeds \$750,000; 2) the contract has a term exceeding 2 years; and 3) multiple contracts within a single entity that exceed \$750,000 in aggregate.

Chairman Khouri invited Boysie Jackson, the City's Chief Procurement Officer, to address any questions on the 6 contract approval requests. All 6 contracts have been reviewed by the FRC Advisory Subcommittee on Contracts and Procurement.

The Commission requested the City provide a summary of all contracts approved and their current status on a regular basis.

Motion made to approve all Contract Approval Requests from the City of Detroit as presented.

Motion moved and supported, the Commission unanimously approved the 6 Contract Approval Requests from the City of Detroit as presented.

VII. Administrative Reports

Exit Financing

Chairman Khouri invited the City's Chief Financial Officer John Hill and Chief Deputy CFO/Finance Director John Naglick to give an update on the Exit Financing.

Mr. Naglick noted that the City's financial recovery bonds issued through the Michigan Finance Authority were sold to the public market on Wednesday, August 19, at par with locked-in interest rates over the terms of the bonds. The City initially planned to sell \$275 million, but reduced the total by \$30 million. The remaining \$245 million was split between taxable and tax-exempt portions. The City sold the bonds at an overall interest rate of 4.44% compared to the 5.75% projected in the Plan of Adjustment last December.

Discussion ensued regarding the State taking over the City's income tax collection. Beginning in January 2016, individual city income tax filers will file their Detroit city income taxes with the State. The State will collect corporate city income tax and universal withholding (pending approval of legislation) in 2017.

Additional discussion ensued about how the Plan of Adjustment allocates savings from the exit financing. Mr. Hill stated that not all the projects that are in the Plan's reinvestment initiatives are funded by the exit financing. Many of the projects require surpluses from operations in order to fund them. He noted the City's budget controls how they can spend such surpluses. Mr. Naglick reported that the city may go to the market for refunding bonds and water/sewer bonds next.

ERP System Implementation

CFO John Hill and CIO Beth Niblock gave an update on the Enterprise Resource Planning (ERP) project, noting that they are reviewing the project schedules and "go-live" dates, and they will provide a more detailed update next month. They are also looking at extending testing and training and planning on moving up the scheduled rollout of the budget module so it can be used for the FY17 budget process. Mr. Hill further noted that the data cleansing activities have been quite extensive to ensure that there is no bad data going into the new system. Ms. Niblock said a review is being conducted of how best to accommodate additional agency-requested interfaces or whether to modify the associated business processes. Mr. Hill said that it made sense to look at the cash activities within the departments to determine whether they should be centralized. Discussion ensued about potential project cost increases. Mr. Hill said that he would present any contract cost increases as part of his update next month.

OCFO Restructuring

Mr. Hill gave an update of the Office of the Chief Financial Officer (OCFO) Restructuring. He stated that interviews for the 77 Management Supervisory Service positions are underway, and selections should be made shortly. He said 730 applicants met the minimum qualifications for these positions. The 160 Professional Service positions have been posted, and there have been 667 applications to date. The 205 paraprofessional positions will come next. It is expected that all OCFO appointments will be made by October 2015. The ERP

system project could be delayed because of the OCFO restructuring. Mr. Hill will provide more details next month.

Revenue Estimating Conference

Mr. Hill also reported the City's revenue estimating conference will take place next month during the week of September 14, 2015.

VIII. Public Comment

None

IX. Next Meeting Date

Chairman Khouri notified the public that the next Financial Review Commission meeting is scheduled for Monday, September 28, 2015 - 2:30 p.m. at Cadillac Place, 3062 W. Grand Boulevard, Suite L-150, Detroit, MI 48202.

X. Adjournment

Motion made to adjourn. Motion moved and supported, the Commission unanimously approved the motion to adjourn.

8 ayes, 0 nays

There being no further business, the meeting adjourned at 3:40 p.m.