approved July 22, 2015

CITY OF PONTIAC

RECEIVERSHIP TRANSITION ADVISORY BOARD MEETING

JUNE 17, 2015

1:00 p.m.

Meeting before the RTAB Board at 47450 Woodward Avenue, Pontiac, Michigan, on Wednesday, June 17, 2015.

BOARD MEMBERS PRESENT:

Edward Koryzno - The Chairperson
Robert Burgess
Louis Schimmel

OTHERS PRESENT:

Robert Widigan
R. Eric Cline
Joseph Sobota
Nevrus Nazarko
Mayor Deirdre Waterman
Linda Hasson
Billie Swazer
Tom Kimble

REPORTED BY: Mona Storm, CSR# 4460

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1 Pontiac, Michigan

2 Wednesday, June 17, 2015

3 1:02 p.m.

4 THE CHAIRPERSON: Good afternoon. I'll call

5 the City of Pontiac Receivership Transition Advisory

6 Board meeting to order.

7 Mr. Widigan, roll call.

8 MR. WIDIGAN: Mr. Burgess?

9 MR. BURGESS: Here.

10 MR. WIDIGAN: Mr. Koryzno?

11 THE CHAIRPERSON: Here.

12 MR. WIDIGAN: Mr. Schimmel?

13 MR. SCHIMMEL: Here.

14 MR. WIDIGAN: Let the record reflect that

15 Mr. Sawdon is absent but a quorum is present.

16 THE CHAIRPERSON: Thank you. A reminder to

17 the public that, if you intend to speak during the

18 Public Comment portion of the meeting, that it will be

19 necessary for you to sign the sheet located on the

20 podium in the back of the room.

21 Next item is Approval of Agenda.

22 MR. BURGESS: I'll make that motion.

23 MR. SCHIMMEL: Support.

24 THE CHAIRPERSON: Moved by Burgess, supported

25 by Schimmel to approve the agenda as printed.

4

1 I'd like to make a suggestion that we remove

2 Item Number 7, Adoption of the Tax Rates under the

3 Administrator's Report since the Council needs to re --

4 or needs to adopt the budget, it may be premature of us

5 to adopt a tax break at this point in time and do so in

6 tandem when the budget appears before us again.

7 MR. SCHIMMEL: I support. For that, let's

8 hear the motion.

9 MR. BURGESS: Yes.

10 THE CHAIRPERSON: Okay. So I'd amend the

11 motion for approval with the removal of that item,

Number 7. Any further discussion?

Seeing none, all in favors of the motion say "aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

Item is approved.

Next item is approval of Minutes Regular May 20th of 2015 RTAB meeting minutes with noted clarifications. ^regular

MR. BURGESS: I'll make that motion.

MR. SCHIMMEL: I support.

THE CHAIRPERSON: Approved by Burgess, supported by Schimmel. Discussion?

Seeing none, all in favor of the motion, say

"aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

The minutes are approved with noted clarifications.

Old Business: Annual Evaluation.

Mr. Cline, can you provide an update to the Board on this matter?

And while you're making your way to the podium, the appointment by the Governor of this Board included conducting an annual evaluation of the City's progress. And so what Mr. Cline will be presenting to the Board this afternoon is the First Annual Evaluation for the City of Pontiac under the RTAB.

MR. CLINE: All right. Good afternoon.

16 THE CHAIRPERSON: Good afternoon.

17 MR. CLINE: Thank you. And I'm finally glad,
18 at this point, to be able to present to you the final
19 draft of this document. The Evaluation occurred with
20 representatives from the Office of Fiscal
21 Responsibility, the Department of Treasury, my
22 colleague, Drew Van de-Grift, actually, came and
23 conducted the Evaluation.
24 I was present in a supporting role during
25 that period and we met with Mayor Waterman and the City

1 Administrator, Mr. Sobota, to conduct this Evaluation.
2 Then we went back and compiled the
3 information and, from that, we also contacted,
4 individually, all the members of the Board and
5 solicited some -- some comments and some input on this
6 and then compiled the evaluation document that you have
7 before you.
8 Just a couple of comments on -- on the
9 evaluation. It really covers four categories of
10 activities, which we believe, in developing this, cover
11 those items that ~~our~~ a local unit of government should be
12 doing at sort of optimal level all the time. And we've
13 sort of broken those down into four categories, which
14 include a number of annual performance indicators,
15 which cover a number of short-range accomplishments.
16 We have a category that we looked at, as far
17 as interaction between the City and the RTAB Board and
18 State -- State agencies during this continued
19 Receivership process.
20 We had a category on the implementation of

21 best practices, which have been called for or
22 recommended to the City in a number of cases.
23 And then we have a category that looks to see
24 how they're implementing what we call future planning
25 activities, which is really designed to help sustain

7

1 the forward progress that the City is making at this
2 point.
3 From -- from looking at this criteria, as we
4 analyzed it, we developed a number of observations and
5 a few recommendations, which upon your approval we will
6 then be sharing with the City.
7 The structure of this document is really
8 designed to sort of identify whether they're doing the
9 activity or not doing the activity. And then we begin
10 to analyze if there are circumstances that either
11 indicate the success of them doing it or why it is
12 prohibited in some fashion.
13 And we've also put together sort of a summary
14 evaluation document that summarizes a number of the
15 findings that we have in those different categories and
16 then this document will be transmitted to the office of
17 the Governor, which is required in the appointment of
18 the RTAB. A copy of this document will also be
19 provided to the City. And consistent with the
20 requirements of Public Act 436, a copy will go to the
21 City's State Representative and State Senator. I'm
22 certain that we'll also be providing a copy to the
23 State Treasurer and probably other individuals as well.
24 But I'm certainly capable of answering

25 questions. The Board did see earlier a draft of this a

1 little while ago and I think your reaction to it was,
2 at the time, fairly positive so I don't know if you
3 have any other specific questions that I could answer.
4 THE CHAIRPERSON: Board Members?
5 MR. BURGESS: No.
6 MR. SCHIMMEL: We gave you our feedback
7 and --
8 MR. BURGESS: You incorporated --
9 MR. SCHIMMEL: You incorporated it and we're
10 happy.
11 MR. CLINE: Very good.
12 THE CHAIRPERSON: Good. Thank you,
13 Mr. Cline.
14 MR. CLINE: I think this has been a good
15 if -- somewhat a lengthier process than originally
16 planned but I think the overall product is a good
17 reflection of the City's time since the appointment of
18 the RTAB. And I think, overall, this is -- this has
19 been very valuable and I think the processes also help
20 refine the techniques that we have to implement for the
21 next upcoming evaluation.
22 So I thank you for your time and, again, if
23 there are any questions, I'll be happy to address it.
24 THE CHAIRPERSON: All right. I'll entertain
25 a motion to approve the Annual Evaluation document and

1 the cover transmittal letter.
2 MR. SCHIMMEL: I'll move approval.

MR. BURGESS: Support.

THE CHAIRPERSON: A moved by Schimmel, supported by Burgess. Any further discussion?

Seeing none, all in favor of the motion say "aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

The Annual Evaluation document is approved.

Next item is Amendment to EM Order S-273, Comprehensive Compensation Package.

Mr. Sobota, do you have an update for the Board on this matter?

MR. SOBOTA: In my report, I formally withdrew this particular request and I will be requesting different amendments to Order S-273 later in the meeting.

THE CHAIRPERSON: All right. Thank you.

The Board may recall we had postponed this consideration of this item so this will take care of that postponement.

Item 3, New Business: Approval of Resolutions and Ordinances for City Council meetings.

The May 14th, 2015, Regular City Council

meeting. I'll entertain a motion.

MR. BURGESS: I move to support.

MR. SCHIMMEL: I move to support.

MR. BURGESS: I move.

THE CHAIRPERSON: All right. Moved by Burgess, supported by Schimmel. Any further

7 discussion?

8 Seeing none, all in favor of the motion, say

9 "aye".

10 BOARD MEMBERS: Aye.

11 THE CHAIRPERSON: Opposed, same sign.

12 The Minutes are approved.

13 Item 2, the Regular City Council meeting of

14 May 21st, 2015. I'll entertain a motion.

15 MR. BURGESS: I make that motion to approve.

16 MR. SCHIMMEL: And I support it with the

17 notations as indicated.

18 THE CHAIRPERSON: For the record, why don't

19 you read what you're -- the exceptions for the purpose

20 of letting the audience know.

21 MR. BURGESS: Okay. It's Gage versus the

22 City of Pontiac. Okay?

23 THE CHAIRPERSON: So you're approving all

24 ordinances and resolutions from the May 21st, 2015

25 Regular City with the exception of Resolution 15-140,

1 Cedric Gage versus the City of Pontiac. Okay?

2 And you're supporting that, Mr. Schimmel?

3 MR. SCHIMMEL: Right.

4 THE CHAIRPERSON: Thank you, Mr. Burgess.

5 Thank you, Mr. Schimmel.

6 Any further discussion?

7 All in favor of the motion, say "aye".

8 BOARD MEMBERS: Aye.

9 THE CHAIRPERSON: Opposed, same sign.

10 The motion is approved.

11 Resolution 15-140, Cedric Gage versus the

12 City of Pontiac settlement.

13 Mr. Sobota, do you have an update for the

14 Board of this matter?

15 MR. SOBOTA: We are proposing a settlement in

16 this matter for the wage loss only, not the medical.

17 And the wage loss settlement is $24,900. The --

18 Mr. Gage has agreed to this in principle. The City

19 does not believe that we have exposure on medical. So

20 we hope that this will officially close out the case,

21 although there is still a chance in the future, be it

22 limited, that medical claim will come in.

23 THE CHAIRPERSON: Okay.

24 MR. SOBOTA: So I am recommending settlement.

25 And this matter was discussed with the Mayor and the

12

1 City Counsel in closed session.

2 THE CHAIRPERSON: Thank you. Any questions

3 for Mr. Sobota from the Board?

4 Seeing none, I'll entertain a motion.

5 MR. SCHIMMEL: I'll move.

6 MR. BURGESS: I support.

7 THE CHAIRPERSON: Moved by Schimmel,

8 supported by Burgess to approve the Resolution 15-140.

9 Further discussion?

10 None. Seeing none, all in favor of the

11 motion say "aye".

12 BOARD MEMBERS: Aye.

13 THE CHAIRPERSON: Opposed, same sign.

14 Motion is approved.

15 Item 3, the Regular Meeting City Council

meeting of May 29, 2015. I'll entertain a motion.

MR. SCHIMMEL: I'll move.

MR. BURGESS: Second -- I support.

THE CHAIRPERSON: Moved ~~my~~ by Schimmel, supported by Burgess to approve the May 29th, 2015 Regular City Council Meeting. Any discussion?

Seeing none, all in favor of the motion say "aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

The motion is approved.

The Special City Council meeting of June 4th, 2015. I'll entertain a motion.

MR. SCHIMMEL: I'll make the motion with the exception of Resolution 15-156, which is the TIFA budget amendment.

MR. BURGESS: Support.

THE CHAIRPERSON: Moved by Schimmel, supported by Burgess to approve all resolutions from the June 4th, 2015 meeting with the exception of Resolution 15-156. Discussion?

Seeing none, all if favor of the motion say "aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

The motion is approved.

Item -- Resolution 15-156, Tax Increment Finance Authority budget amendment and EM Order S-279. Can you provide some clarification on this for the Board, Mr. Sobota.

21 MR. SOBOTA: GASB has released GASB Standard
22 Number 70, which requires the recording of liabilities
23 to the general fund when the general fund provides a
24 contribution to the TIFA to make a bond payment. This
25 is a new GASB ruling, it was not anticipated at the

1 time that Mr. Schimmel prepared this budget.
2 Therefore, in order to comply with Public Act 2, this
3 budget amendment is required for TIFA Fund Number 2.
4 This is merely an accounting exercise, even
5 though the fund will have over a million dollar
6 deficit, which theoretically would trigger deficit
7 elimination plan. When this occurred last year and we
8 received the DEP Notice, Treasury with -- accepted
9 Mr. Nazarko's explanation, that this is not a true
10 deficit but one caused by GASB 70 and the City has been
11 absolved of requiring to file a DEP.
12 The second portion of this amendment is to
13 TIFA Fund Number 4. We are hoping to close that
14 particular fund so we are asking to transfer the
15 remaining balance to TIFA Number 3, which will relieve
16 the -- a bond payment. It will not require, therefore,
17 a larger contribution from the City's general fund and
18 this, once again, was not anticipated at the time that
19 Mr. Schimmel adopted the budget years ago. So that is
20 the recommendation at this time.
21 THE CHAIRPERSON: Any questions from the
22 Board for Mr. Sobota?
23 MR. SCHIMMEL: So you now need a motion to
24 approve?

25 MR. SOBOTA: Both.

1 MR. SCHIMMEL: Both?

2 MR. SOBOTA: And, also, we would need the

3 State Treasurer, I believe, based on Mr. Widigan's

4 presentation to the Board, also State Treasurer sign

5 off on this because this is a budget adopted by the

6 Emergency Manager. So we hope to have that by

7 June 30th so we could comply with Public Act 2.

8 THE CHAIRPERSON: All right. Thank you,

9 Mr. Sobota. I'll entertain a motion.

10 MR. SCHIMMEL: I shall move.

11 MR. BURGESS: Support.

12 THE CHAIRPERSON: To -- move to?

13 MR. SCHIMMEL: Support both.

14 THE CHAIRPERSON: All right. Moved by

15 Schimmel, supported by Burgess to approve a

16 recommendation to the State Treasurer to amend the TIFA

17 fiscal year 2014/'15 budget.

18 Any further discussion?

19 Seeing none, all in favor of the motion say

20 "aye".

21 BOARD MEMBERS: Aye.

22 THE CHAIRPERSON: Opposed, same sign.

23 The motion is approved.

24 Next item on the agenda is City Administrator

25 Items.

1 Item 1 is a 2015 JAG program. Mr. Sobota?

2 MR. SOBOTA: In previous years, the Oakland

3 County Sheriff's office was able to apply for this
4 grant on behalf of the City because of the City's
5 financial condition. Because we have improved our
6 financial condition, the Oakland County Sheriff's
7 office is unable to apply for this grant on behalf of
8 the City and we are required to apply for the grant
9 ourselves.
10 The proceeds of the $90,520 would be used to
11 offset the costs of overtime for criminal
12 investigations. One concern that I had concerning this
13 particular grant is the recent super circular that has
14 been released by the Federal Government where I raised
15 a question whether or not the City of Pontiac properly
16 procured the services of the Oakland County Sheriff in
17 accordance with federal guidelines.
18 I e-mailed and placed a telephone call to the
19 grant office. They assured me orally but they would
20 not put it in writing that the current relationship
21 that we have between the City and the Sheriff's office
22 is compliant with the new super circular and,
23 therefore, I am slightly confident that we will be able
24 to -- if we receive this grant, to properly expend it
25 as we desire.

17

1 Once again, they would not send it to me in
2 writing, which is of a concern. There will be some
3 potential reporting requirements. If the City were to
4 receive several hundred thousand dollars more from the
5 federal government, we would be subject to single
6 audit. At this point, we are significantly below

7 single audit threshold. Single audit costs to the City
8 is approximately $5,000, if not more.
9 We also need to provide assurances that the
10 City will agree to the drug-free workplace policy to
11 comply with federal grant requirements. I'm in the
12 process right now of determining whether our current
13 drug policy is in compliance with the requirements of
14 this grant. If it is not, then a proposal will be
15 coming before the Board next month to amend our
16 existing policy.
17 So those are the positives and the negatives.
18 At this point in time, I'm recommending that the Board
19 approve my request to apply for this grant. The
20 application is due June 26th. And the staff -- the
21 City staff assigned to the Oakland County Sheriff's
22 Office will be assisting in the writing of the
23 application.
24 THE CHAIRPERSON: Thank you. Any questions
25 for Mr. Sobota from the Board?

1 I'll entertain a motion, then.
2 MR. SCHIMMEL: I'll move.
3 MR. BURGESS: Support.
4 THE CHAIRPERSON: Moved by Schimmel to?
5 MR. SCHIMMEL: To apply for the grant.
6 THE CHAIRPERSON: All right. Thank you.
7 Supported by Burgess --
8 MR. BURGESS: Right.
9 THE CHAIRPERSON: -- to approve Application
10 for the 2015 JAG program grant. Any further
11 discussion?

12 Seeing none, all in favor say "aye".

13 BOARD MEMBERS: Aye.

14 THE CHAIRPERSON: Opposed, same sign.

15 The motion is approved.

16 Item 2, dispute with Comcast for PEG Fees.

17 Mr. Sobota.

18 MR. SOBOTA: Late last year, the City Council

19 unanimously approved a franchise agreement renewal with

20 Comcast. Included in that agreement was an increase of

21 the PEG fees, the Public Education Government access

22 fees from one percent to two percent. We base that

23 increase on a similar agreement that was made with AT&T

24 when they received a cable franchise from the City.

25 Comcast is in dispute of the City's ability

1 to increase that fee. Once again, this was unanimously

2 approved by City Council. We're looking at an

3 additional $900,000 a year for ten years so that's just

4 under a million dollars.

5 I have contacted the attorney who worked on

6 behalf of the City several years ago. When we received

7 the two percent PEG fee from AT&T, there were some

8 legal questions that were raised as to whether or not

9 the City was able to properly increase the PEG fees to

10 2 percent. Based on initial discussions with the

11 attorney, I am confident that the City has a very

12 defendable position in this matter. The -- a Complaint

13 has been filed by Comcast before the Michigan Public

14 Service Commission.

15 I will categorize my discussions with the

16 Public Service Commission as not being very productive,
17 all the more reason why I'm seeking legal Counsel; I'm
18 concerned about receiving a fair hearing on behalf of
19 the City.
20 And the attorney has advised that he will
21 provide services prior to the Public Service
22 Commission. But, in the event he is asked to represent
23 the City at the Public Service Commission, he would
24 like some additional authorization, which especially
25 would come from the TAB.

20

1 The attorney also believes that the City's
2 chances before the Public Service Commission are not
3 very good based on the track record. However, he has
4 advised us of some additional legal remedies that we
5 will be able to pursue.
6 So, in order to keep this case moving, I am
7 requesting authorization to secure the firm of Kitch,
8 Drutchas, Wagner, Valitutti & Sherbrook for a maximum
9 of $20,000 for attorney services. We are receiving a
10 reduced rate of $250 per hour. The attorney, as I
11 indicated, was previously used successfully by the City
12 of Pontiac in a similar dispute and we anticipate
13 having another good round of success with him as well.
14 Public Service Commission actually requested
15 that I be in Lansing tomorrow. That's not going to
16 happen without the attorney being present. So that is
17 why the request is being presented this month.
18 THE CHAIRPERSON: And the potential amount of
19 revenue generated from the proposed fees would total
20 what?

21 MR. SOBOTA: $900,000 over the life of the
22 agreement, assuming no significant increase or decrease
23 in the subscriber base.
24 THE CHAIRPERSON: Thank you.
25 Any questions for Mr. Sobota?

1 I'll entertain a motion.
2 MR. SCHIMMEL: I'll move.
3 THE CHAIRPERSON: To?
4 MR. SCHIMMEL: To approve the firm.
5 Is that what we're talking about here --
6 THE CHAIRPERSON: Yes.
7 MR. SCHIMMEL: -- approve the firm?
8 THE CHAIRPERSON: That's correct.
9 MR. BURGESS: I support.
10 THE CHAIRPERSON: Moved and supported for a
11 request to retain Kitch, Drutchas, Wagner, Valitutti &
12 Sherbrook law firm. Further discussion?
13 Seeing none, all in favor of the motion say
14 "aye".
15 BOARD MEMBERS: Aye.
16 THE CHAIRPERSON: Opposed, same sign.
17 The motion's approved.
18 Number 3, Board Adoption of the fiscal year
19 2015/'16 budget.
20 Mr. Widigan?
21 MR. WIDIGAN: Okay. In this report to the
22 Board, Mr. Sobota requested that the Board adopt the --
23 approve a motion for the adoption of the 2015/'16
24 budget. This was passed by City Council on June 5th of

25 2014. And then the RTAB, on June 18th of 2014,

22

1 postponed that adoption because it included a 420
2 transfer, which would have -- when Council adopted
3 this, it would have been fiscal year '13/'14 so two
4 fiscal years ago.
5 So after discussion with Treasury, between
6 Treasury and the City, it was determined the best path
7 was for the City to adopt their '15/'16 budget, again,
8 which would be at tomorrow night's Council meeting and
9 that determination came from a few items. One is,
10 there's an EM order of S-281 and, in it, it states that
11 the Counsel is required to adopt a budget by June 9th
12 of each year. And, again, this was adopted two fiscal
13 years ago.
14 The City Charter Section 5.103 states, at
15 least one month before the end of each fiscal year, the
16 Mayor shall prepare and submit to the Counsel a
17 proposed annual budget and proposal -- or proposed
18 annual appropriation ordinance for the next fiscal
19 year.
20 PA 2 of 1968 Section 14, Subsection 2 states
21 that, "Unless another person is designated by the
22 Charter, the Chief Administrative Officer in each local
23 unit shall prepare the recommended budget, annual
24 budget, for the ensuing fiscal year."
25 And finally, there is a February 9th, 2011,

23

1 there's an Attorney General letter opinion, which
2 regarding the State legislature's authority to enact a

3 two-year budget.

4 The opinion also cites Oakland School Board

5 of Education versus Superintendent of Public

6 Instruction 392, Michigan 613. In that case, the

7 Michigan Supreme Court interpreted the effect of an

8 amendment to the State School Aid Act as follows:

9 Although the Michigan legislature may, at

10 times, place authorization provisions and appropriation

11 provisions in the same bill, we believe that any

12 provision that does not take initial effect during the

13 ensuing fiscal year is intended to function only as an

14 authorization or an intention to appropriate.

15 The dynamics of the budget change from fiscal

16 year to fiscal year. And that is where we -- that's

17 how Treasury determined that it would be best for the

18 City to revisit and readopt fiscal year 2015/'16.

19 THE CHAIRPERSON: All right.

20 MR. WIDIGAN: So if the Board wishes -- this

21 was postponed last year. If the Board wishes, they

22 could deny that action and then we can revisit it again

23 after the City addresses it tomorrow.

24 THE CHAIRPERSON: All right. Thank you,

25 Mr. Widigan.

24

1 Any questions for Mr. Widigan from the Board?

2 So it sounds like a motion to deny --

3 MR. BURGESS: Deny.

4 THE CHAIRPERSON: -- would be in order. So

5 I'll entertain a motion.

6 MR. SCHIMMEL: I'm not sure I understand.

7 THE CHAIRPERSON: All right.

8 MR. SCHIMMEL: I don't understand what's

9 going on.

10 THE CHAIRPERSON: Okay. Let me try to

11 summarize. City Council adopted a budget two years

12 ago, a two-year budget. And when Mr. Sobota brought

13 the proposed budget for '15/'16 before the City

14 Council, it was with amendment to a budget that was

15 adopted two years ago. And what Mr. Widigan just

16 shared with us, according to State law and Attorney

17 General's opinions, you can adopt a two-year budget but

18 the second year of that budget is merely a planning

19 budget until it's adopted.

20 So, in essence, a budget has to be adopted

21 annually by the City Council. And so what we're doing

22 here is the proposal is to deny the budget that was

23 presented to us for our packet and then the City

24 Council is meeting tomorrow to formally adopt the

25 budget per State law and the Attorney General's

1 opinion.

2 MR. SCHIMMEL: Which is really the second

3 year of the --

4 THE CHAIRPERSON: Yes, that's right.

5 MR. SCHIMMEL: -- that, in a normal process,

6 gets amended as you go along --

7 THE CHAIRPERSON: Yes.

8 MR. SCHIMMEL: -- before the second --

9 THE CHAIRPERSON: I got it.

10 MR. SCHIMMEL: Okay.

11 THE CHAIRPERSON: Okay.

12 MR. SCHIMMEL: So you need a motion to deny?
13 THE CHAIRPERSON: Yes.
14 MR. SCHIMMEL: I'll make the motion to deny.
15 MR. BURGESS: I support.
16 THE CHAIRPERSON: Moved by Schimmel,
17 supported by Burgess to deny the FY '15/'16 budget.
18 Discussion?
19 Seeing none, all in favor of the motion say
20 "aye".
21 BOARD MEMBERS: Aye.
22 THE CHAIRPERSON: Opposed, same sign.
23 The motion is approved.
24 Number 4, Amendment of the fiscal year
25 2014/'15 TIFA budgets was addressed in New Business.

26

1 Item 5, Amendment to the M1 Concourse
2 Brownfield plan.
3 Mr. Sobota.
4 MR. SOBOTA: About two years ago Mr. Schimmel
5 approved the authorization of a Brownfield plan for the
6 M1 concourse. At the time, plans were not final and
7 here we are, two years later, and the developer is
8 about ready to break ground and things have changed,
9 fortunately, for the better.
10 The estimated cost of that development has
11 dropped from just over $19 million to $14.7 million.
12 But more so, the developer is looking to reclaim from
13 the Brownfield interest payments on debts, which is
14 permitted under the Brown -- States Brownfield Interest
15 Policy.

So before you today, it's the thick packet -- well, the smaller thick packet that you have is the actual amended Brownfield Plan that identifies the reduction in the pay back period to 23 years and the reduction in the authorized reimbursement from 19.1 to $14.7 million.

Under Section 1 EZ of Order S-334 as amended, the ability to direct Brownfield Plans rest solely with this Board. And the recommendation is that the Board approve the amendment to the Plan and request that the

Oakland County Brownfield Redevelopment Authority which is managing this plan, accept the amendment to the plan as well.

THE CHAIRPERSON: Any questions for Mr. Sobota?

Mr. Schimmel, question?

MR. SCHIMMEL: No, nope.

THE CHAIRPERSON: All right.

MR. SCHIMMEL: I'm fine.

THE CHAIRPERSON: Okay. I'll entertain a motion, then.

MR. SCHIMMEL: I will move.

MR. BURGESS: I will second.

THE CHAIRPERSON: Moved to?

MR. SCHIMMEL: To approve the Amendment to the Brownfield Plan.

THE CHAIRPERSON: Thank you. And you're supporting that?

MR. BURGESS: Support.

THE CHAIRPERSON: Okay, thanks. Moved by

21 Schimmel, supported by Burgess to approve the Amendment
22 to the M1 Concourse Brownfield Plan. Further
23 discussion?
24 Seeing none, all in favor of the motion say
25 "aye".

28

1 BOARD MEMBERS: Aye.
2 THE CHAIRPERSON: Opposed, same sign.
3 The amendment is approved.
4 Amendment to the TIFA 2 District. While this
5 action on this item occurred during a Council meeting,
6 which is outside the Board's normal review period, for
7 today's RTAB meeting, the City Administrator's request
8 to bring it forward for early review is merited.
9 So Mr. Sobota, please provide the Board with
10 the background on this item.
11 MR. SOBOTA: During the due diligence for the
12 developer to gain his last bit of financing, there was
13 a discovery made that the property that incorporates
14 the M1 concourse is part of an existing TIFA 2
15 District. So, therefore, any claims for capture first
16 go to TIFA 2 and then they go to the Brownfield.
17 Obviously, this is not in the best interest of the
18 developer.
19 The current capture in the TIFA 2 District
20 for the parcels in question has a negative $2 million
21 capture, which -- from base, which is also not
22 productive for the City. With the removal of these
23 parcels from the TIFA 2 District, both the developer
24 and the City will benefit.

25 The developer will benefit because the

29

1 developer will be able to fully release all captures
2 under the Brownfield plan, which was just amended and,
3 Number 2, the City will benefit because, by removing
4 these parcels from the TIFA 2 District which have a
5 negative capture today, the base value will be reduced,
6 thus allowing positive capture from the overall
7 District at a greater level.
8 So the City will be able to capture TIFA 2
9 dollars from the remaining parcels because its negative
10 anchor is being removed. And the developer will be
11 able to capture his tax increment financing to pay for
12 his costs of development.
13 I have been advised that the passage of both
14 of these items is required in order for the developer
15 to close on financing within the next two days.
16 Failure for him to close on financing may either
17 jeopardize the project or delay the project for another
18 month. So he is hoping to break ground next week. So
19 that is the reason for the request today to have both
20 items on the agenda concurrently.
21 THE CHAIRPERSON: Any questions for
22 Mr. Sobota?
23 MR. SCHIMMEL: Yes. Highly unusual.
24 MR. SOBOTA: This is the --
25 MR. SCHIMMEL: I guess it all works, Joe.

30

1 But I'm seeing these things on other TIFA Districts
2 where, you know, you can't remove property out of a

3 TIFA District when bonds are outstanding is my -- my
4 question here. But I assume the bondholder in this
5 particular situation would be much -- very much in
6 favor of this because it's a win for him in the end; is
7 that what you're really describing here?
8 MR. SOBOTA: Yes. This is actually the
9 second time that we've done this. We did this also
10 with Challenge M-F-G. When their property was
11 constructed a little bit over a year ago, we removed
12 parcels from the TIFA district. And, as a result of
13 that removal, TIFA 2, a portion of it, actually has a
14 positive capture. So this will increase the positive
15 capture for that particular area.
16 The procedure has been reviewed by Oakland
17 County, it has been reviewed by our attorneys so we are
18 confident that we are fully within the law and,
19 actually, as Mr. Schimmel did indicate, this does
20 benefit the bondholder because they actually have a
21 capture now to pay their bonds.
22 If these parcels remain, there is not as big
23 of a capture or in the case with Challenge, there would
24 be no capture, meaning that all bond payments would be
25 the full responsibility of the City's general fund.

31

1 MR. SCHIMMEL: Okay. And I think you said
2 the magic words to me. So they've reviewed this?
3 MR. SOBOTA: Yes.
4 MR. SCHIMMEL: All right.
5 THE CHAIRPERSON: Any further questions?
6 MR. SCHIMMEL: With that in mind, I'll be

7 happy to move.

8 MR. BURGESS: Support.

9 MR. SCHIMMEL: Oh, are you asking for that?

10 THE CHAIRPERSON: I'm asking for a motion but

11 a complete motion.

12 MR. SCHIMMEL: Am I going too quick here?

13 All right. Well, Ed, why don't you frame the motion

14 and then I'll make it.

15 THE CHAIRPERSON: All right. I'm looking for

16 a motion to Approve a recommendation to the State

17 Treasurer to amend the TIFA 2 District.

18 MR. SOBOTA: It does not need to go up to the

19 State Treasurer.

20 THE CHAIRPERSON: All right.

21 MR. SOBOTA: If you have my cover letter on

22 Page 3, it's -- I've got a --

23 MR. SCHIMMEL: See why I had you do it?

24 THE CHAIRPERSON: Okay.

25 MR. SOBOTA: In there --

1 THE CHAIRPERSON: You got me.

2 MR. SCHIMMEL: Yeah.

3 THE CHAIRPERSON: Okay. So a motion to

4 approve amendment to the TIFA 2 District?

5 MR. SCHIMMEL: Yes -- yeah.

6 MR. SOBOTA: To remove the parcels.

7 MR. SCHIMMEL: To remove the parcels. Okay.

8 I'll make that motion, as you stated it.

9 MR. BURGESS: And I'll support it.

10 THE CHAIRPERSON: It's been moved by

11 Schimmel, supported by Burgess to approve a

12 recommendation -- or an action to Amend the TIFA 2
13 District to remove parcels. Discussion?
14 MR. SCHIMMEL: Two parcels.
15 THE CHAIRPERSON: Seeing none, all in favor
16 of the motion say "aye".
17 BOARD MEMBERS: Aye.
18 THE CHAIRPERSON: Opposed, same sign.
19 The motion is approved.
20 Item 7, Adoption of the 2015 Tax Rates was
21 removed from the agenda at Adoption of the Agenda.
22 Item 8, Award of Lawn Mowing Contract.
23 Again, this item occurred at a Council meeting outside
24 of the RTAB's normal review period for today's meeting.
25 But the City Administrator has requested to bring it

33

1 forward.
2 Mr. Sobota?
3 MR. SOBOTA: I'm moving very fast here.
4 Okay. As you know, we have been without a Purchasing
5 Agent for several months and that resulted in a delay
6 of preparation and release of bids for lawn mowing
7 services. Those bids were finally prepared, released
8 and we did receive an award. We did receive bids.
9 The lowest qualified bidder is United
10 Lawnscape. They actually happen to be one of the
11 vendors that's working on the City properties under the
12 previous contract so we're fully aware of their
13 abilities and City Council has awarded the contract for
14 one year to United Lawnscape.
15 I know that in the bid that we were asking

Council

for an option for Years 2 and 3. But ~~Counsel~~ chose to limit the award only for one year. They would like to see more local companies participate in the bid process. So the request is to award the lawn mowing service contract to United Lawnscape for calendar year 2015.

THE CHAIRPERSON: Any questions for Mr. Sobota? If not, I'll entertain a motion.

MR. BURGESS: I move that we approve the contract for United Lawn for one year.

MR. SCHIMMEL: I support.

THE CHAIRPERSON: Moved by Burgess, supported by Schimmel to approve the award of the lawn mowing contract to United Lawnscape. Any discussion?

Seeing none, all if favor of the motion say "aye".

BOARD MEMBERS: Aye.

THE CHAIRPERSON: Opposed, same sign.

The motion is approved.

Item 9, Contract with Plante Moran.

Mr. Sobota.

MR. SOBOTA: Under Section 1FB of Order S-334 as amended, the City Administrator has full authority to hire accountants with the approval of the Board. Our current agreement with Plante Moran expires at the end of this fiscal year. Speaking with the Finance Director, he is satisfied with Plante Moran's service and Plante Moran has a proposed contract agreement through June 30th, 2018.

I did share the proposed agreement with the

21 Mayor and Counsel, received no feedback so, at this
22 point in time, I am requesting approval of the
23 professional service agreement with Plante Moran dated
24 May 19th, 2015, which would expire June 30th, 2018.
25 There is a slight increase in cost in Year 2 of the

1 contract from the current year. Costs go from $250,000
2 for the ensuing fiscal year to $256,250 for fiscal year
3 '16/'17 and $262,655 for fiscal year '17/'18.
4 In addition, Plante Moran will be charging
5 the City $10,000 for budgeting assistance for fiscal
6 year 2015/'16, which is the same amount as the current
7 fiscal year. And those costs will increase to $10,250
8 for '16/'17 and $10,505 in '17/'18.
9 In addition, Plante Moran has also provided a
10 Professional Service Agreement Temporary Finance
11 Assistance Addendum as well. And we are anticipating,
12 at some point, that the position of City Administrator
13 will not be here. I have played a significant role in
14 an assisting the Mayor and the Finance Director in
15 preparing the budget document.
16 So what Plante Moran would be charging would
17 be $25,000 annually to assist the City in preparing the
18 City's budget documents according to the GFOA's
19 Distinguished Budget Presentation Award and, if we so
20 choose, another $5,000, annually, to assist the City in
21 preparing financial statements according to the GFOA's
22 Certificate of Achievements for Excellence in Financial
23 Reporting Program.
24 The '15/'16 budget pending before City

25 Council does include an appropriation for the GFOA

1 Certificate of Achievement Award for financial
2 reporting. It does not contain an appropriation,
3 specifically, for the budgeting assistance because the
4 position of City Administrator is still in there.
5 But, as you are aware, the additional
6 compensation I receive for the position of City
7 Administrator is $20,000 a year. You add FICA to that,
8 you're close to the $25,000. But I also have an
9 additional $10,000 that I have at my disposal to spend
10 on other items.
11 So, essentially, let's assume that the
12 position of City Administrator is removed, the cost for
13 the City Administrator can then be transferred to
14 assist with budget preparation in future fiscal years.
15 So I believe that this is a very good deal
16 for the City and am requesting approval of both
17 agreements.
18 THE CHAIRPERSON: Any questions for
19 Mr. Sobota? My only comment is it would seem to me
20 that it might be cheaper to hire a full-time employee
21 than Plante Moran over a period of time.
22 MR. SOBOTA: We actually have approximately
23 two employees who are here on a given day and we also,
24 during the end of the fiscal year, Plante Moran brings
25 in some additional staff. And their Professional

1 Review Department does review the financial reports
2 before they are released. So we do receive the

3 additional services. And if you have your own
4 employee, we lose those additions, extras, that the
5 full service firm provides to the City.
6 They also provide free training, seminars
7 that City Officials are able to attend as well. So we
8 do receive some benefits.
9 THE CHAIRPERSON: Okay. Thank you.
10 MR. BURGESS: Does this go out on a
11 competitive bid?
12 MR. SOBOTA: The Plante Moran has been with
13 the City since 2006, pre-Emergency Manager. I cannot
14 speak to how the City procured the services of Plante
15 Moran several years ago. However, last year Plante
16 Moran agreed to a -- what was it -- $50,000 reduction
17 in their contract so -- and that was mainly as a result
18 of less work that was required due to the significant
19 decrease in the number of funds and accounts in the
20 City.
21 So no, this did not go out for bid. At this
22 time, it would have been a little bit challenging,
23 considering that we haven't been able to fill that
24 Purchasing Agent position.
25 THE CHAIRPERSON: Any other questions for

1 Mr. Sobota?
2 MR. SCHIMMEL: No. I was wondering if the
3 Mayor is indicating she'd like to say something.
4 MAYOR WATERMAN: I would like to say
5 something because such contracts as these as well as
6 the discussion you had received has budgetary

implications. So you would think the Mayor would have some input on this. I do not. Because I bring to your attention that, under the processes that have been set, as the City Administrator have maintained, I have not been involved in any contract negotiations of this sort and so forth, have not had an indication of how that might apply to the budgetary considerations that you're applying right now.

I think that's a situation that I bring to your attention because I am going to be implying that that should be changed in the future.

MR. SOBOTA: I will say that I did communicate with the Mayor and the ~~Counsel~~ Council and provided copies of this document and did receive no feedback and the numbers are reflective in the budget so we don't have any negative impact on the budget.

THE CHAIRPERSON: Is it necessary to enter into a three-year contract, rather than a one-year contract?

MR. NAZARKO: We can cancel.

MR. SOBOTA: Let's see here. 60-days notice for termination is required.

MR. NAZARKO: Actually, it is month-to-month.

MR. SOBOTA: So if the City believes, then the agreement could be canceled with the approval of the Transition Advisory Board with 60 days notice to Plante Moran.

MR. BURGESS: What are the negative effects of asking you to go back out for competitive bids?

MR. SOBOTA: Well, the contract expires in

two weeks so that would put us in a difficult position come the start of the fiscal year. Our new Purchasing Agent won't begin until next fiscal year, which is July. So, in terms of practical purposes, it just wouldn't work.

MR. NAZARKO: When I was working for another municipality, I did go out for competitive bid on a similar engagement and contacted three major firms, I'm not going to mention the other two but Plante Moran was the third one. Plante Moran came with a considerable less amount than the other two, although the other two firms were smaller. And the logic to that is that, to my knowledge, Plante Moran is the only accounting firm that has a governmental financial assistive arm and the

other firms do not.

However, again, this can be revisited. I don't believe that there is a cheaper option if we hire another firm. I agree with Mr. Koryzno's assessment that, at some point, we need to look to hire our own accounting -- accountant here. However, at the present situation, with the no Purchasing Agent and the benefit structure, it is impossible to get a cheaper option with the current structure.

MR. BURGESS: But we don't really know that.

MR. NAZARKO: Again, not two years ago I went out for bids on a similar project --

THE CHAIRPERSON: Who's the City's auditor?

MR. NAZARKO: ~~Raymond.~~ Rehmann

THE CHAIRPERSON: ~~Raymond.~~ Rehmann Okay. Thank you.

16 MR. SCHIMMEL: Mr. Chairman, may I say
17 something?
18 THE CHAIRPERSON: Yes.
19 MR. SCHIMMEL: I must say that, while being
20 emergency manager, I don't know how I could have gotten
21 through that without Plante Moran. I do think they've
22 done a very critical job in the City. I know what --
23 what the situation is right now and I -- I think we
24 should approve this and also indicate that we've heard
25 what everybody says here.

1 And I guess I would say to the Mayor, you
2 know, the time is going to come when you can have
3 whoever. But, at this very moment, I think, with this
4 date coming up and with the understanding that if you
5 want to terminate them within 60 days, you could.
6 With all of that information and with my
7 confidence that Plante Moran is really essential to
8 this operation at this point, I would be happy to make
9 a motion to approve the rehiring of Plante Moran.
10 MR. BURGESS: I don't think that's -- could
11 we just go for one year, then, while we have time to
12 work through this?
13 THE CHAIRPERSON: I think the Board's
14 authority is for the action proposed for us. I don't
15 think we have the authority -- I think it's an all or
16 nothing.
17 MR. BURGESS: It is?
18 THE CHAIRPERSON: Yes, I believe so.
19 Mr. Cline, is that your interpretation?
20 MR. CLINE: I -- I believe that would be an

21 accurate reflection. And I think that's how the Board
22 has -- has taken that position in the past on these
23 issues, so I would concur with that.
24 THE CHAIRPERSON: Thank you. So it would be
25 either approve as proposed or deny as proposed.

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1 MR. SCHIMMEL: So I'm going to make a motion
2 that we approve, as proposed, the hiring of
3 Plante Moran.
4 MR. BURGESS: I second.
5 THE CHAIRPERSON: Okay. Approved by
6 Schimmel, supported by Burgess to approve the proposed
7 contract with Plante Moran. Any further discussion?
8 Seeing none, all in favor of the motion say
9 "aye".
10 BOARD MEMBERS: Aye.
11 THE CHAIRPERSON: Opposed, same sign.
12 The motion is approved.
13 Item 10, Keo versus the City of Pontiac
14 settlement.
15 Mr. Sobota.
16 MR. SOBOTA: We have a case evaluation award
17 of $12,500. This matter was discussed with the Mayor
18 and Council in closed session. I am recommending that
19 the City accept case evaluation in the amount of
20 $12,500. If Plaintiff accepts, then the case is
21 closed.
22 MR. SCHIMMEL: I will move --
23 MR. BURGESS: Second.
24 MR. SCHIMMEL: -- the recommendation by

25 Mr. Sobota on the settlement of this case to accept.

1 THE CHAIRPERSON: To approve the Keo versus
2 City of Pontiac settlement?
3 MR. SCHIMMEL: Right, proposed settlement.
4 THE CHAIRPERSON: Proposed settlement.
5 MR. BURGESS: Support.
6 THE CHAIRPERSON: Moved by Schimmel,
7 supported by Burgess. Further discussion?
8 Seeing none, all in favor of the motion say
9 "aye".
10 BOARD MEMBERS: Aye.
11 THE CHAIRPERSON: Opposed, same sign.
12 The motion is approved.
13 Item 11, Estate of Jkhary Craft versus
14 Edward Lasseigne Settlement.
15 MR. SOBOTA: I received an e-mail from our
16 attorney yesterday. Plaintiff has agreed to settle the
17 case for $200,000. This matter was discussed in closed
18 session with the Mayor and City Council. The -- a
19 dollar amount that is being accepted by the Plaintiff
20 is within the discussion that we had in closed session.
21 I am recommending settlement at this time as well.
22 To remind the Board, this is the case where
23 we have an appeal pending before the U.S. Supreme Court
24 and the trial court wants to begin trial soon,
25 actually. Actually, tomorrow they're ordering me to

1 Federal Court for a settlement negotiation so I'm
2 hoping that, by action today, I will be able to not

need to attend and just give instruction to our attorney to agree to the demand of $200,000. The original demand for this case exceeded $1.5 million and we've already spent about $200,000 in defense to date.

THE CHAIRPERSON: I'm curious, when did this incident take place?

MR. SOBOTA: 2010, 2009. It's a long time.

MR. SCHIMMEL: Prior, prior, a couple years prior to my arrival.

THE CHAIRPERSON: Any questions for Mr. Sobota?

MR. SOBOTA: And funds are available in the insurance fund.

THE CHAIRPERSON: Thank you. If there are no further questions, I'll entertain a motion.

MR. SCHIMMEL: I'll so move.

MR. BURGESS: Support.

THE CHAIRPERSON: Mr. Schimmel, you're moving to?

MR. SCHIMMEL: I'm moving to accept the proposed settlement of Jkhary Craft v Edward -- however you pronounce it -- settlement.

THE CHAIRPERSON: You're supporting that,

Mr. Burgess?

MR. BURGESS: Yes.

THE CHAIRPERSON: Okay. It's been moved and supported. Further discussion?

Seeing none, all if favor of the motion say "aye".

7 BOARD MEMBERS: Aye.

8 THE CHAIRPERSON: Opposed, same sign.

9 The motion is approved.

10 Item 12, Cedric Gage versus the City of

11 Pontiac Settlement was addressed in New Business.

12 Item 13, Withdrawal of Comprehensive

13 Compensation Package was addressed in Old Business.

14 Item 14, Approval of Health & Dental

15 Insurance for City employees.

16 Mr. Sobota.

17 MR. SOBOTA: In April, I had originally

18 presented a request combined as one for a comprehensive

19 compensation package. I have received suggestions that

20 the combined package be separated into three separate

21 components. So this would be the first component and

22 what I believe is the most critical component of the

23 revised compensation package for City employees and

24 that is to grant health and dental insurance to those

25 full-time City employees that are not receiving the

1 benefit.

2 We have had great difficulties in attracting

3 qualified individuals to the City to accept employment.

4 Actually, this is the reason why our Purchasing Agent

5 is not going to begin work until July, it's to maintain

6 the existing health insurance at her present job for at

7 least another month, plus she's receiving an additional

8 four weeks of vacation time.

9 But prior attempts to attract an Income Tax

10 Administrator fell through because we were not able to

11 offer health insurance benefits as well.

Mr. Nazarko has identified some concerns that the City's position that the City and the Court are separate employees and thus the City is not subject to the Affordable Care Act were documented at last month's meeting. And, furthermore, I have been unable to identify any community in the area, especially those that have been gone through financial emergency, where City employees are not receiving any form of health or dental insurance benefits.

So the proposal presented before you today is very similar to what was presented two months ago to grant the Blue Cross GlidePath plan to the City employees who are not receiving, with the cost sharing on either the 80/20 option or the hard cap as defined

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by State law, which is in the best interest of the City. Delta Dental Core A, same plan available and also the employee would be able to purchase a buy-up to improve those dental benefits.

There will be no consideration given to provide life, optical, hearing or disability insurance, as previously provided to City employees. And most importantly, there is no consideration being given to provide any sort of insurance benefit upon retirement. In other words, once a current employee leaves the City, they have no right to any ~~OPEG~~ OPEB obligation. So this is only for current employees.

The maximum exposure to the City's general fund, should all employees accept health insurance, is $212,850 over the course of a full fiscal year. The

16 amount has been included in the budget for the 2015/'16
17 fiscal year and the Pontiac City Council has voiced no
18 objection to this particular benefit.
19 But we do realize that there are some
20 employees who may not need to accept the health
21 insurance or who may be willing to waive the health
22 insurance if the incentive package was to that
23 employee's interest.
24 So what we have proposed is a two-prong
25 opt-out from the insurance program. If you just want

1 cash, you're going to receive 40 percent of the cost of
2 the employee's insurance plan over the course of the
3 fiscal year, equally divided. So, in other words, if
4 you're able to obtain a family plan and the cost of a
5 family plan is $15,000 a year, you would receive
6 40 percent of that over the course of the year.
7 However, if you are willing to forego the
8 cash -- and this is where there's a new change -- the
9 City would contribute up to 50 percent of that cost to
10 deposit into the MERS Healthcare Savings Plan.
11 The original proposal was to make this a
12 contribution to define -- contribution pension plan.
13 And, after speaking with MERS, they feel that this is
14 the best option that the City has available.
15 The MERS Healthcare Savings Plan would allow
16 the employees to take these pre-tax dollars and use
17 them for healthcare upon separation from employment and
18 retirement. So it's the employee's money, essentially,
19 that they are able to take with them after they
20 separate from the City.

21 One other oversight that was pointed out by
22 the 50th District Court is Mr. Schimmel's final orders
23 actually removed all District Court employees from
24 participating in -- excuse me. I'm getting ahead of
25 myself.

1 We would also offer this as an option to the
2 50th District Court employees to use in lieu of
3 accepting health insurance. We are presently paying up
4 to $30,000 a year for health insurance for the 50th
5 District Court employees and, if we can entice them to
6 take a plan with somebody else, we would be saving a
7 significant amount of money.
8 So, in addition to the City employees being
9 able to take advantage of Blue Cross and this opt-out
10 option with MERS, we are also wanting to provide the
11 50th District Court employees the ability to
12 participate in the same type of healthcare opt-out.
13 The plan description indicates that this
14 would be subject to -- and I'm speaking for the MERS
15 option. City and 50th District Court employees hired
16 as full-time after January 1st, 2011, not a member of
17 GERS, contributions would be pre-tax, there would be
18 immediate vesting. If funds are forfeited, the balance
19 would be distributed to among the remaining plan's
20 participants but they could be reinstated if the
21 employee is re-employed with the City within ten years.
22 Now, in order for this plan to be authorized,
23 three separate resolutions would need to be passed by
24 this Board. One resolution is an Amendment to Order

25 S-273, which not only address the health insurance but

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1 also the pension contribution, which I will be speaking
2 on next. This order will require the amendment of the
3 State Treasurer.
4 A second resolution would be a simple
5 resolution granting the benefit package as described,
6 which would be the health insurance benefits and the --
7 in lieu of health insurance benefits, two options.
8 And a third resolution, which is a form
9 resolution, provided by MERS, adopting the City's
10 ability to participate in the MERS Healthcare Savings
11 Program. We are hoping that we are able to
12 implement -- knowing that we have a few approvals to
13 get -- this by August 1st, 2015, that is the proposed
14 date of implementation.
15 So that is the summary of the revision for
16 the healthcare and I'm willing to accept any questions
17 that anyone may have.
18 THE CHAIRPERSON: I'm curious as to how you
19 arrived at the 40 and 50 percent contributions. I know
20 you did a survey of other units for the compensation
21 package. Was this part of that survey?
22 MR. SOBOTA: Well, provision of compen -- of
23 insurance was part of the survey, the 40, 50 percent
24 is, essentially, a mathematical calculation. Our goal
25 is to incentivize employees to opt out of health

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1 insurance, if possible. And the only way that's really
2 going to happen is if we are able to make the incentive

3 package strong enough so that the employee can buy
4 insurance on their own. So we were looking to see,
5 what's the cost of insurance on their own.
6 And I will tell you, personally, I am paying
7 for health insurance on my own at a significantly lower
8 rate than what the City would be paying for me if I
9 were to accept the City's health insurance policy. So
10 at least, from a personal experience, I can say that
11 the chances of the City spending the full $212,000 that
12 I had quoted earlier is not going to happen, just on my
13 experience, assuming that we don't have any huge rate
14 increases within the next couple of years.
15 So we're hoping that that same level of money
16 would apply to, also, the two-person and the
17 family-person plan as well.
18 THE CHAIRPERSON: So, in essence, we don't
19 know whether this 40, 50 percent differential is
20 comparable, more or less, than what surrounding
21 communities are paying for?
22 MR. SOBOTA: No, we don't. And I can tell
23 you, historically, the City of Pontiac provided $2,000
24 as an opt-out and we had very few employees who took
25 advantage of that. Because what can you do with

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1 $2,000, in terms of buying health insurance?
2 THE CHAIRPERSON: Any other questions from
3 the Board?
4 MR. BURGESS: Did we get competitive bids for
5 this plan?
6 MR. SOBOTA: Our insurance provider,

7 Meadowbrook, has consistently placed out bids and the
8 only provider that was willing to provide a bid was
9 Blue Cross. There were seven or eight different
10 insurance plans that were solicited by Meadowbrook and,
11 in order for the City to have a fully insured plan,
12 blue Cross is the only option available. We would be
13 able to obtain health insurance from other companies if
14 the City were self-insured, like we previously were,
15 but the liability to the City is astronomical.
16 MR. NAZARKO: On that note, the competitive
17 bidding will not do anything to the City's cost because
18 all that resolution authorizes is the hard cap numbers
19 and the rest is being paid by the employees. All the
20 premiums currently are above the hard cap. Therefore,
21 again, the competitive bidding will do something to
22 alleviate the cost-sharing 20 percent that the
23 employees would pay under those circumstances.
24 The other point is that, since currently we
25 have only five employees on the plan, the providers,

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1 the health insurance providers, are reluctant to quote
2 us. As a matter of fact, they have declined because
3 the retiree population currently is 400 retirees being
4 covered and only five current employees.
5 It's an unusual situation and insurance
6 companies are not making profit with this structure of
7 this group. Therefore, it's hard to get quotes from
8 other companies.
9 Furthermore, if the Board will give
10 consideration, I would like to point out, and I had
11 discussions with Mr. Sobota, to remove the GlidePath

12 reference there because GlidePath is, basically, an
13 exchange that we use to go to Blue Cross. Blue Cross
14 is the insurance we used for retirees, obviously, and
15 VEBA is tied to that.
16 However, if we -- if we tie ourselves to
17 GlidePath via resolution of the Board, I'm afraid at
18 some point in the near future things may change. And
19 what I mean by that is that Supreme Court is taking up
20 the Affordable Care Act and, if that is being struck
21 down, the exchanges may go away.
22 So I don't want to be in a type of situation
23 that you are authorizing us to get that insurance
24 through GlidePath and GlidePath is not going to exist.
25 So, again, I'm getting ahead of myself but, if the

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1 Board would consider this, I don't really think I like
2 the GlidePath reference.
3 Blue Cross -- as a matter of fact, if you
4 assign Blue Cross and do not reference GlidePath, that
5 would give us the opportunity to talk to the Code
6 employees and currently, as Joe said, for the union
7 employees, the premiums is as high as $28,000. So if
8 this goes forward and we have a bigger group, we may be
9 able to go out there and solicit different types of
10 insurance that will be less expensive.
11 That's my input on this.
12 THE CHAIRPERSON: Questions?
13 All right. Seeing no questions, I'll
14 entertain a motion. And we have three, as previously
15 mentioned, we have three separate motions.

16 MR. SOBOTA: And I would recommend holding
17 off on Resolution Number 1 until I discuss the defer --
18 Defined Contribution Plan. Because that resolution
19 would cover both.
20 THE CHAIRPERSON: So noted. All right. So
21 we'll entertain a motion regarding the Approval of
22 health and dental insurance benefits.
23 MR. SCHIMMEL: Go ahead.
24 MR. BURGESS: I make a motion to approve.
25 MR. SCHIMMEL: I support.

1 THE CHAIRPERSON: Moved by Burgess, supported
2 by Schimmel to approve health and dental insurance
3 benefits for payment in lieu of benefits for City
4 employees. Further discussion?
5 Seeing none, all in favor of the motion say
6 "aye".
7 BOARD MEMBERS: Aye.
8 THE CHAIRPERSON: Opposed, same sign.
9 Motion is approved.
10 Next motion regards participation in the MERS
11 Healthcare Savings Program.
12 MR. SCHIMMEL: I --
13 MR. BURGESS: I move to approve.
14 MR. SCHIMMEL: And I support.
15 THE CHAIRPERSON: Moved by Burgess, supported
16 by Schimmel to authorize the City's participation in
17 the MERS Healthcare Savings Program. Further
18 discussion?
19 Seeing none, all in favor of the motion say
20 "aye".

21 BOARD MEMBERS: Aye.

22 THE CHAIRPERSON: Opposed, same sign.

23 The motion is approved.

24 I'm thinking about how we want to handle the

25 motion for the MERS and the dental. So -- regarding

1 the Treasurer's amendments, possibly after Mr. Sobota's

2 presentation on the Defined Contribution Program, we

3 could recommend to the State Treasurer to approve

4 amendment to the EM order S-273 for both.

5 MR. SCHIMMEL: All right.

6 THE CHAIRPERSON: MERS and the healthcare

7 benefits.

8 MR. BURGESS: I have a question I'd like --

9 THE CHAIRPERSON: All right. Next item is

10 approval of the MERS Defined Contribution Pension Plan.

11 Mr. Sobota?

12 MR. SOBOTA: A second component of the

13 previously presented comprehensive compensation plan

14 dealt with providing some form of a pension benefit to

15 the City employees. We have observed that the -- most

16 communities are going away from the defined benefit

17 plan to a defined contribution plan. And those defined

18 contribution plans generally require some sort of an

19 employee match. Generally, the employee match is very

20 small and the City contribution is very high.

21 I have been unable to find another comparable

22 community that does not offer some sort of pension plan

23 to its employees.

24 The existing defined benefit pension plan was

25 closed by order of Mr. Schimmel, as Emergency Manager.

1 And this was definitely a wise decision and we
2 shouldn't even open up that can of worms again.
3 Defined benefit plans are a dinosaur. So Mr. Nazarko
4 and I explored some options and I'm recommending that
5 the City establish a defined contribution plan with
6 MERS.
7 For this plan, the City would contribute a
8 maximum of 7 percent of the total earnings of an
9 employee using the following formula: For every two
10 dollars contributed by the employee, the City will
11 contribute $1. Each employee who is eligible to
12 participate will be required to contribute at least $2
13 out of each check.
14 So this is a mandatory participation, just $2
15 contribution out of each check. The maximum total
16 exposure to the general fund is $83,704 should the
17 employees spend 100 percent of their time in the
18 general fund and decide to fully contribute the
19 maximum, 7 percent. Once again, I highly doubt that
20 both assumptions will be met.
21 The plan is described as follows: The
22 effective date is August 1st, 2015. Vesting credit
23 from date of hire, plan covers all full-time employees
24 of the City and the 50th District Court hired after
25 January 1st, 2011 who are not participating in GERS.

1 It was brought up recently by the Court
2 Administrator that new full-time, nonunion employees

3 who are hired to work in the 50th District Court do not
4 have a pension plan that they can participate in
5 because of the action taken by the Emergency Manager.
6 So that is why we are including the 50th
7 District Court employees. And this would also be open
8 only to those employees not participating in GERS. So,
9 for example, we have a couple of retiree rehires. They
10 would not be able to draw two pension benefits. So, if
11 they're already a GERS member and a GERS participant,
12 they will not be able to participate in this particular
13 pension plan.
14 A probationary period of six months will be
15 implemented. So even though you can vest, you need to
16 work at least six months in the City in order to
17 actually have some monies stay in your account upon
18 separation. Temporary employees are excluded for 12
19 months. So, in other words, we can have someone who is
20 classified as a temporary employee, work for the City
21 for a year and they would not be required to or
22 eligible to participate in the plan.
23 There will be immediate vesting. Normal
24 retirement age is 60. Direct mandatory employee
25 contributions are pre-taxed and loans will not be

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1 permitted.
2 I have attached all the associated plan
3 documents. Once again, this benefit would require
4 three resolutions. The first one, of course, being a
5 request to Amend Order S-273, asking the State
6 Treasurer's concurrence. Resolution Number 2 is a

7 simple resolution granting the MERS defined benefit
8 pension plan as described, effective August 1st, 2015.
9 And Resolution 3 is the form resolution provided by
10 MERS adopting the plan documents.
11 This matter was also discussed with the City
12 Council. However, the City Council is opposed to this
13 particular plan. Mayor and I are both in agreement
14 that this is also a benefit that needs to be offered to
15 attract qualified employees to the City.
16 We also believe that the way that the benefit
17 was structured, it is not as generous as benefit -- as
18 pension benefits issued in other communities. But it
19 is a benefit plan that the employees, should they
20 choose to fully participate in, will be able to receive
21 a benefit. So I am willing to address any questions
22 that anyone may have on this particular issue.
23 THE CHAIRPERSON: Question?
24 MR. SCHIMMEL: Two questions. One is your
25 comment about the court employee new hire.

1 MR. SOBOTA: Nonunion.
2 MR. SCHIMMEL: Oh, that's what I missed.
3 Okay. I got it. The other is, we are now
4 finally establishing a plan going forward, really?
5 MR. SOBOTA: Right.
6 MR. SCHIMMEL: The going-forward plan, as you
7 describe, fine, it's also something that can be altered
8 going forward as well, as the City becomes better off
9 and may even want to make a more generous plan, right?
10 MR. SOBOTA: Correct.
11 MR. SCHIMMEL: We can use those same vehicles

12 to deal with?

13 MR. SOBOTA: Yes. Now, there is a limit, in

14 terms of the amount of money that a City can contribute

15 to a defined contribution plan and, unfortunately, I

16 can't remember if it's 9 percent or 10 percent. So it

17 can't be more generous, in terms of total contribution.

18 MR. SCHIMMEL: Got you.

19 MR. SOBOTA: But it could -- the City could

20 potentially reduce the amount required to be

21 contributed by employees in the future.

22 MR. SCHIMMEL: Yeah. Okay. So we're -- we

23 have so few employees going forward. It's time now to

24 establish something, isn't it?

25 MR. SOBOTA: That's the position that --

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1 MR. SCHIMMEL: Yeah.

2 MR. SOBOTA: -- both the Mayor and I believe

3 we need to start operating this community like other

4 communities since we've really addressed the immediate

5 financial crisis and we want to have something stable,

6 in terms of benefit plans and also in terms of

7 attracting qualified employees to the City.

8 MR. SCHIMMEL: Okay. Thanks.

9 THE CHAIRPERSON: I have two questions as

10 well. The first is the same question regarding

11 surveying of other units of surrounding units of

12 government as to how you arrived at the 7 percent

13 matching number?

14 MR. SOBOTA: I did not quite perform a full

15 survey. There is -- there could be either defined

16 benefit or defined contribution plan. We're seeing
17 anecdotally that a lot of the communities are
18 contributing to the upper end of that nine or ten
19 percent range. However, the contribution required to
20 be made by the employee does, in no way, approach what
21 we are proposing.
22 We're actually requiring more contribution
23 from the employee than other communities. However,
24 we're trying to set up a plan that's reasonable in
25 terms of a City contribution and an employee match.

1 THE CHAIRPERSON: All right. Thanks. My
2 second question has to do with the vesting period. Am
3 I correct in assuming that everyone is vested once
4 they're hired, with the exception of the --
5 MR. SOBOTA: Probation.
6 THE CHAIRPERSON: -- Probation?
7 MR. SOBOTA: Correct.
8 THE CHAIRPERSON: Again, is that similar to
9 what other units are doing? I know the State is a
10 four-year vesting period.
11 MR. SOBOTA: One of the concerns that we have
12 here in the City of Pontiac because under Charter it is
13 not a professionally-managed community but a strong-arm
14 form of government. It had the possibility of having a
15 high employee turnover.
16 And we want to at least be able to establish
17 some sort of a benefit trying to attract qualified
18 employees who put in, let's say, their three years and
19 eleven months and then are relieved of duties in Year 4
20 because there's a change in administration. It isn't

21 fair to the employees, especially if they're attracted
22 from another area. So that's why we're looking at the
23 immediate vesting.
24 THE CHAIRPERSON: Thank you.
25 Mr. Burgess, any questions?

1 MR. BURGESS: No.
2 THE CHAIRPERSON: Any further questions?
3 MR. SCHIMMEL: No.
4 THE CHAIRPERSON: Seeing none, I'll entertain
5 a motion regarding the recommendation to the State
6 Treasurer to approve Amendment to EM Order S-273 for
7 participation in the MERS Defined Contribution Pension
8 Plan and approval of health and dental insurance for
9 City employees.
10 MR. BURGESS: I'll make that motion.
11 MR. SCHIMMEL: I'll support.
12 THE CHAIRPERSON: Moved by Burgess, supported
13 by Schimmel. Any further discussion?
14 Seeing none, all in favor of the motion say
15 "aye".
16 BOARD MEMBERS: Aye.
17 THE CHAIRPERSON: Opposed, same sign.
18 The motion is approved.
19 Next I'll entertain a motion regarding
20 approval of the MERS benefits package as described.
21 MR. SCHIMMEL: I'll so move.
22 MR. BURGESS: Support.
23 THE CHAIRPERSON: Moved by Schimmel,
24 supported by Burgess. Discussion?

25 Seeing none, all in favor of the motion say

1 "aye".

2 BOARD MEMBERS: Aye.

3 THE CHAIRPERSON: Opposed, same sign.

4 Motion is approved. And finally a motion

5 regarding authorization of the City's participation in

6 the MERS Defined Contribution Program.

7 MR. SCHIMMEL: I'll so move.

8 MR. BURGESS: Support.

9 THE CHAIRPERSON: To?

10 MR. SCHIMMEL: Approve authorization --

11 THE CHAIRPERSON: All right.

12 MR. SCHIMMEL: -- of the City's participation

13 in the MERS Defined Contribution Program.

14 THE CHAIRPERSON: Thank you. Mr. Burgess,

15 support?

16 MR. BURGESS: Support.

17 THE CHAIRPERSON: Okay. Moved and supported.

18 Discussion?

19 Seeing none, all in favor of the motion say

20 "aye".

21 BOARD MEMBERS: Aye.

22 THE CHAIRPERSON: Opposed, same sign.

23 The motion is approved.

24 Item 16, appointment to the Arts Commission

25 was addressed in -- oh, no. Entertain a motion to

1 approve Appointment to the Arts Commission.

2 MR. SCHIMMEL: I will move to approve.

3 MR. BURGESS: Support.

4 THE CHAIRPERSON: Moved and supported -- or

5 moved by Schimmel, supported by Burgess. Discussion?

6 Seeing none, all in favor of the motion say

7 "aye".

8 BOARD MEMBERS: Aye.

9 THE CHAIRPERSON: Opposed, same sign.

10 The motion is approved.

11 Next item is the Mayoral Items.

12 MAYOR WATERMAN: Good afternoon, gentlemen.

13 BOARD MEMBERS: Good afternoon.

14 MAYOR WATERMAN: I would like to start first

15 by just stating the fact that, because we have some

16 visitors here for the first time and who are witnessing

17 this meeting of the RTAB, that the RTAB was appointed

18 by the Governor to take care of the receivership

19 portion of the Pontiac -- City of Pontiac's financial

20 crisis, a financial crisis which is now, although still

21 has some challenges as we can see from the budgetary

22 considerations we have as well as from other economic

23 development issues that have been announced, that the

24 City is no longer in financial crisis.

25 So -- but to start my report, I will talk

1 about the issues that had been assigned to me during

2 that status of financial crisis of the City.

3 Starting with the healthcare -- retiree

4 healthcare litigation issue. Just to report that we're

5 still in mediation and that we have no new meetings

6 scheduled just now. There are some housekeeping items

7 from the Plaintiffs that are taking some time for them
8 to resolve so that we can move forward.
9 We hope that, because I was very, very
10 cautious but optimistic, that the process would be able
11 to move forward, that this does not -- this delaying
12 does not affect the -- either the Judge Cohn's or the
13 mediator's patience in the process, which has great
14 impact for the City of Pontiac.
15 In the meantime, because we will not have a
16 resolution of this matter by the time of the last
17 payment that was offered by the Emergency Manager to
18 the retirees of $400 from the pension fund, that, that
19 that will expire August 15th.
20 So I'm going to be making a recommendation to
21 the City Council through the City's administrator that
22 this be extended because, without this $400 allotment,
23 many retirees who had received this would be entirely
24 adversely affected economically. So this needs to be
25 considered and this will be on your docket at a later

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1 time.
2 The next is the whole Phoenix Center
3 litigation. I have no movement to report on that,
4 other than that we're waiting for the court date to be
5 set on the latest issue that I had brought before
6 you -- to you previously that the attorneys have
7 introduced.
8 Other than to say to you, and I'll talk to
9 this -- more about this, about the economic recovery
10 plan that has now been submitted in the City's behalf
11 by -- and Oakland County for the EDA, but, in that

12 plan, we've identified the Phoenix Center area and that
13 whole near central City area as a priority development
14 area for the City.
15 And so now that we do have an economic plan
16 in place, we do have some strategies for resolving some
17 of the development issues for that area. And this is a
18 priority for the City.
19 The third of the financial crisis issues that
20 I was charged with was the removal and eradication of
21 blight from the City of Pontiac. I reported to you
22 previously that we are moving forward with this, with
23 the schedule that we have set and have met those
24 calendar dates, that we have applied for a Michigan --
25 State of Michigan Blight Elimination Grant and are

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1 waiting to see the results of that.
2 The impact of that is that, if we receive it,
3 it will allow us to have some funds for demolition of
4 commercial properties, which we haven't had from --
5 been able to use with the other funds that we had been
6 using for demolition just now.
7 As I'm -- one thing in your packets we've
8 included the report from the Michigan Vacant Property
9 Campaign. As we had demolished residential structures
10 as part of this blight elimination, we had been left
11 with vacant lots.
12 And as part of strength in our neighborhoods
13 but this is also something that we want to consider for
14 economic development of the City as well as for part of
15 the program for the economic recovery of the City that

16 we want to find some usage for these vacant lots and we
17 want to empower our neighborhoods to have a part in
18 determining how those are handled.
19 So we invited through a volunteer group I
20 have that we're calling the Master Plan Steering
21 Advisory Committee, that they have just adopted what to
22 do with these vacant lots is their project. And they
23 did invite down this Michigan Vacant Property Campaign,
24 which includes the Center for Community Progress,
25 CEDAM, the Michigan Community Resource as well as the

1 Michigan Municipal League.
2 We had representatives from all those groups
3 who came to the whole-day Evaluation of the City and
4 the Pontiac on our vacant lot strategy and the report
5 outlines how they have evaluated our blight program
6 going forward as well as what their suggestions are for
7 blight, for tools to handle these vacant lots. So we
8 are going to employ that and have this group who will
9 be very much involved in this project.
10 But I also bring to your attention -- and all
11 of these things require capacity and we have talked
12 about that and I've addressed that to you, previously.
13 In fact, Joe asked me and he did approve the two
14 positions which will expand the Economic and Community
15 Development Department and that is a more -- an eminent
16 concern for me because, as of June 30th, the one
17 employee we had in Community Development who was a help
18 with the blight program will be no longer in employment
19 with the City of Pontiac. He has another appointment
20 to help with Code Enforcement, which is an important

21 part of blight development, too.

22 But that means I won't have anyone to help

23 with this project that we all realize is very important

24 and very vital. So it just brings to fact, again,

25 capacity and so I'm -- we're waiting to have those

1 positions approved.

2 On a friendly basis, I note that you, RTAB

3 members, and I thank you for sensing that we do need to

4 have the capacity in order to do these things, the

5 programs, otherwise it becomes quite critical for the

6 City.

7 I would like to continue on now with some of

8 the other things that were in your packet. One of

9 which and we've talked about is the economic recovery

10 plan for the City called Pontiac Moving Forward and

11 that is in your packet.

12 I included that not to discuss it, only to

13 show you that this is now a living, breathing document,

14 which has been submitted to the EDA. We will have a

15 presentation to the City Counsel as well, which had

16 membership on the Steering Committee for EDA, but this

17 is a plan that the City now hasn't had.

18 We haven't had an Economic Recovery Plan or

19 an Economic Development Plan since 1990. And nobody

20 could find a copy of it. So a City without a plan

21 doesn't have a clear way forward. Now we have a clear

22 way forward. The difference about this plan is its

23 strategic and it is strategic and helpful in helping to

24 move the City forward.

25 The fact of it -- of the matter is that, in

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1 order to implement any plans -- it's only good if you
2 implement it -- you have to have capacity to do it.
3 And so that is why these additional employees and
4 additional advancement of the Community & Economic
5 Development Staff is key to us being able to move
6 forward as a City from the State to where we are right
7 now, coming from financial crisis to actually being a
8 City that can move and -- move forward in terms of
9 growth and development. So it defines all those
10 strategies that we want to be able to employ.
11 And the budget, which will eventually be
12 presented to you, you've already -- I saw elsewhere the
13 kind of confusion about that budgetary process. But,
14 in the budget that I did present to City Council and
15 they have agreed with me -- the first time they passed
16 it and, hopefully, they will do the second time they
17 pass it as well -- that there were certain funding
18 initiatives that I've included within the budget to
19 support the findings of the Economic Development Plan
20 and these we'll talk about further with you and how
21 that works once this budget is presented to you once
22 again.
23 The Deputy Mayor is the other item that is
24 forthcoming. The TJA, Adams search firm is still
25 looking for worthy candidates. We hope that will be

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1 forthcoming very soon for all the reasons I've
2 described. I look forward to having somebody who will

3 be able to work hand-in-hand in terms of achieving the
4 goals, given where the City's position is right now.
5 So we look forward to being able to have a candidate to
6 present in the, hopefully, pretty near future.
7 In addition to that, you see we have and I'm
8 very pleased to talk about the Oakland University
9 partnership, which is certainly -- Oakland University
10 is a -- as you see, the Economic Development Plan is
11 one of the institutions that is clearly mentioned as
12 one of the institutions that would help Pontiac move
13 forward in achieving this economic development posture
14 for the City.
15 And we have with us several interns who have
16 been a part of that program and that partnership. They
17 are representatives of both the Onyx Political Science
18 and Public Administration Programs at Oakland
19 University with three MPA students.
20 In addition to them, I have a great partner
21 for the City and an angel of Tom Kimble, who is
22 President of the Michigan AARP, a very significant
23 organization in this nation. And he has been quite a
24 partner in helping to organize this partnership and all
25 its component parts with Oakland University.

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1 But one of the things that these interns have
2 done, since they've been here -- and I've been very
3 impressed by their acumen and their intelligence -- is
4 they have addressed a couple of projects that I've
5 asked them to do, one of which was to redesign the City
6 website, which is our mirror to the world and, also, to

7 look at how things the City supports, the sinking fund
8 millage, which the school district will put back on the
9 ballot in August.
10 So I would like them to stand, just to be
11 recognized. I'm so happy that they're here and we
12 would like to recognize them as being helpful to the
13 Mayor's office and to the City of Pontiac.
14 I do thank Mr. Koryzno for being one of our
15 speakers. He had some time to spend with them and
16 learned about what they were doing as well as talk to
17 them about the position of the RTAB and how they
18 function and what that means, in terms of receivership
19 for the City of Pontiac. So I thank you very much.
20 THE CHAIRPERSON: You're welcome.
21 MR. NAZARKO: And I hope that will be -- the
22 sixth speaker series that I proposed is part of the
23 implementation of the experience they will have in
24 Pontiac.
25 Just to mention to you, too, we will be

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1 talking it out, on a broader sense, all the things
2 that's been happening in Pontiac. As stated, the City
3 address which will be June 29th at Lafayette Grand in
4 the City of Pontiac. At that time, I will convey to
5 the City all of the recent advances as well as the
6 challenges that are put before us and give the citizens
7 an idea of where we stand currently.
8 And I know it's been touched upon recently
9 but I would be remiss if I didn't at least say
10 something about this whole budgetary process, which we
11 had been proceeding for the last two years for the

12 '15/'16 and '16 budgets with what we thought was
13 communicated through our City Administrator was the
14 pathway that Treasury and RTAB would undertake, only to
15 find out last Thursday that this whole process had been
16 rendered null and void.
17 So it was very disturbing to both myself and
18 City Council. We thought that we've been trying very
19 hard, as a City, to follow the processes. You've seen
20 the evaluation and you can -- even to a casual
21 observer, you can see the consternation that this might
22 pose for the City that was trying to get back on the
23 right track and establish some methodical and fiscal
24 procedures and policies.
25 This turn of events certainly was an

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1 unfortunate diversion for the City and, certainly,
2 because of the time that we had to turn this around and
3 get this posted in the paper in order to be able to
4 have a public hearing tomorrow, and because of the fact
5 of the implications of how you present these kind of
6 budgets and what was posted, our City Administrator
7 said it was not humanly possible for him to get all of
8 those changes and amendments that I would have put in,
9 the document that I would have introduced, had I had
10 the opportunity to do that in the correct way.
11 So I'm just stating -- I just thought it was
12 important for me to state the fact that I'm just not
13 oppositional to the fact that the whole process had to
14 be changed, again, but also for the particular problems
15 it introduced for me as a Mayor that tries to be

16 apparent and transparent to have this reversal
17 introduced to us, all of a sudden when we thought all
18 along that we had been following the stipulations from
19 Treasury.
20 So I just bring at that up because that is
21 the elephant in the room right here. And,
22 particularly, as we move forward, it's important for us
23 to know which set of rules, which set of benchmarks
24 that we are to follow.
25 And I wasn't looking for a legal opinion --

1 there was something that was brought down -- but just
2 concurrence that this is a final direction that we were
3 to take so that, hopefully, we don't have this
4 confusion in the future. And once again, our City
5 Charter, if we followed that all along, we would not
6 have had this problem to begin with.
7 But I would like to conclude -- assuming if I
8 could conclude on a positive note. This sounds like
9 it's not -- a little bit of a downer, but it was for
10 me. Just to say that I have, after this development,
11 did attempt to talk to a number of the City Council
12 people, just to go through, indicate we had to go
13 through the process again in an abbreviated form,
14 hopefully, that all the things that I was -- thought it
15 was important to include in this budget and that they
16 had originally passed, that they will stay to that
17 track and do it again. Thank you.
18 THE CHAIRPERSON: Thanks, Mayor.
19 Next item, Nonaction Items, Financial Reports
20 ending April 30, 2015 and May 31, 2015.

21 MR. NAZARKO: The April 30th financial
22 reports are submitted and approved or discussed last --
23 at that last TAB meeting. Before you today are the
24 May 31st, 2015 financial reports and I do not have any
25 additional items other than what I have prepared in

1 those reports.
2 THE CHAIRPERSON: All right. Any questions
3 for Mr. Nazarko?
4 MR. BURGESS: Good.
5 THE CHAIRPERSON: Thank you.
6 Next item is Mayor Report and the mayor just
7 gave her report.
8 MR. NAZARKO: Oh.
9 THE CHAIRPERSON: That's fine. I'm just
10 noting it, that's all.
11 MR. NAZARKO: Okay.
12 THE CHAIRPERSON: Just for the record. City
13 Administrator report.
14 MR. SOBOTA: No additional items.
15 THE CHAIRPERSON: Very good. Thank you.
16 Next item.
17 MR. SCHIMMEL: I could have told you that.
18 THE CHAIRPERSON: Next item will be Public
19 Comment. Mr. Widigan will read your name and please
20 approach the podium. You'll have two minutes to speak.
21 MR. WIDIGAN: Linda Hasson.
22 MS. HASSON: I, too, am very upset about the
23 process of this budget. This budget says, "Proposed
24 Budget '15/'16, '16/'17" and then, when you get

25 inside -- this was the original budget -- it says

1 2015/'16 budget amendments.

2 I hold the City responsible, they knew that

3 the '15/'16 budget was not accepted. They had a duty

4 to contact the State Treasury and say, "How do we

5 resolve this problem?" And I'm very upset to hear that

6 the budget that we're going to have the hearing for

7 tomorrow may not reflect everything that could have

8 been in it.

9 This -- this is -- we are going backwards.

10 And I'm asking for your leadership; that's what you're

11 here for. I'm asking you to please do not allow just

12 one person to do all the work and not include my Mayor.

13 She has to know what's going on.

14 I am very dissatisfied, at this moment. How

15 many years? And we're going backwards. And I don't

16 even understand how you can turn around and spend money

17 when you're telling the judge we owe money. Shouldn't

18 that money be going in the bank that you want to offer

19 to new people for the MERS -- for the GERS? I don't

20 understand this. I'm very shocked. I don't get it.

21 We're making more debt but we have debt but,

22 then again, we do have 12 million in the bank that we

23 could tell the judge we have because, you know,

24 judgment levy isn't going to work.

25 I am very disappointed and I hope that, if

1 the City Council has a meeting with Treasury on the

2 22nd, that the truth comes out about what is going on

3 and people throwing each other under the bus because
4 this is non-conducive and it will not help the City
5 move forward. It will not help the City move forward.
6 And I have been watching enough to know
7 different times and when things need to be done to help
8 the State of Michigan make sure that we succeed. Thank
9 you.
10 THE CHAIRPERSON: Thank you, Ms. Hasson.
11 MR. WIDIGAN: Billie Swazer.
12 MS. SWAZER: Good afternoon.
13 THE CHAIRPERSON: Good afternoon.
14 MS. SWAZER: I have two questions and one of
15 them was whether there are no employees that were still
16 on the layoff list that could have been recalled?
17 Because that you're deciding to reestablish all the
18 benefits, while a lot of the benefits were taken away
19 when the employees were laid off. Isn't there no
20 employees on the recall list?
21 Second, why could this not -- this MERS thing
22 that you're doing not been done to GERS? The Charter
23 calls for the retirement and the pensions to be gone
24 into the GERS system, not MERS. And since we're at the
25 City of Pontiac and we do have a Charter, why is the

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1 Charter not upheld?
2 And the last thing is the budget. I don't
3 know what this new budget is; it was confusing to me
4 when I seen it on -- on the computer of why do we have
5 a new budget when, two weeks ago, they passed -- they
6 were talking about a budget that next Monday they had

7 seen the budget.

8 I'm -- I'm thinking last week they had passed

9 the budget and now we got another budget hearing

10 tomorrow -- public hearing for this budget? I'm just

11 kind of wanting to know what's going on. That budget

12 did not provide any benefits for the retirees.

13 One of the things is that, when Mr. Schimmel

14 took our benefits away, he said "Hey, after two years

15 they'll be returned to you." And we were waiting. Two

16 years is almost up and we're waiting.

17 Thank you for the -- Mayor for saying she'll

18 give us the 400 -- possibly continue the $400. And

19 when they said August 15th, I'm like, "Is this

20 August 2015 or August 15, '15?" Because those are two

21 different days. And our understanding was the $400

22 would go through the end of August. Thank you.

23 THE CHAIRPERSON: Thank you, Ms. Swazer.

24 MR. WIDIGAN: Tom Kimble.

25 MR. KIMBLE: Thank you, so much.

1 I had a wonderful opportunity to talk to

2 Edward with Robert and Lou. Nice seeing you again. I

3 just wanted to call to our attention just the

4 outstanding issue around community engagement that will

5 be supportive of the City.

6 There are so many things going on. The Mayor

7 spoke about Oakland University taking an outstanding

8 leadership role, all right, in providing its 20,000

9 students, it's faculty, in terms of capacity building

10 and, in some of these areas where she doesn't have the

11 help, they want to provide that help.

12 But Oakland is just one of, I'll say, 30
13 different organizations now that are coming to the aid
14 of the City. I sit on the board of Baker College. We
15 spent half of our board meeting this morning talking
16 about doing the same thing that Oakland is doing and at
17 Baker, in terms of helping the Mayor and looking at
18 some of the things we can do to help her achieve her
19 goals.
20 So the key here is the community wants to
21 step up, the business community, the bankers are
22 looking at opportunities for entrepreneurial financing
23 and we're going to do that. I'm a banker, too.
24 Mr. Burgess, are you from General Motors?
25 MR. BURGESS: Yes.

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1 MR. KIMBLE: I severed as Vice-Chairman of
2 the General Motors Foundation and Director of GM's
3 global philanthropic activities and on GM's Finance
4 staff of 30 years. So all my good friends from
5 General Motors want to come back and help the City like
6 we never done before.
7 In some kind of way, that message has to get
8 back to your leadership there that we want to bring
9 some -- some help, some leadership, some skill sets
10 from these very motivated people and, also, want to
11 reach out and bring in some financial and human
12 resources and participate in the Mayor's strategic plan
13 to make a difference. So it's just not the Mayor.
14 THE CHAIRPERSON: Yeah.
15 MR. KIMBLE: All right? It's a bigger

16 community now --

17 THE CHAIRPERSON: Yeah.

18 MR. KIMBLE: -- that's stepping up to make a

19 difference.

20 THE CHAIRPERSON: Thank you, Mr. Kimble.

21 Mr. Widigan, any other --

22 MR. WIDIGAN: That is it, for Board comments.

23 THE CHAIRPERSON: All right. Thank you. In

24 regard to Ms. Swazer's comments, Mr. Sobota, could you

25 approach the podium, please. She asked about a layoff

1 recall list.

2 MR. SOBOTA: Most of the unions have agreed

3 to voluntarily dissolve. So, therefore, I'm assuming

4 that, if they're no longer in existence, there's no

5 such thing as a recall list. From what I can recall,

6 layoff lists were good for two years and we're well

7 beyond the layoff recall lists.

8 THE CHAIRPERSON: All right. And the second

9 question was GERS versus MERS. Is -- on GERS, as a

10 community that has its own pension fund, how does the

11 proposal that the Board approved mesh with the pension

12 fund?

13 MR. SOBOTA: Well, the GERS Charter Plan is

14 now closed so --

15 THE CHAIRPERSON: So they're not accepting

16 any new members?

17 MR. SOBOTA: They're not accepting any new

18 members. So the only option would be -- feasible

19 option, at this time, is to join MERS.

20 THE CHAIRPERSON: All right. Thank you. Any

21 comments from the Board?

22 MR. BURGESS: Yes, I have a couple of

23 comments. I'm quite positive toward what Pontiac City

24 has been accomplishing over the past year. And that's

25 been my association with them. I agree that we can do

1 much better. A couple of concerns are competition

2 works. So when -- they don't like for us to accept

3 $300,000 plus charges of businesses, of long-term

4 contracts without repetitively bidding it. I know it

5 doesn't work in every case but we should go that way.

6 We are an American and we believe in free enterprise

7 and competition and all that kind of stuff.

8 Secondly, I started keeping count today and I

9 heard one, maybe two times, "the Mayor and I agree" or

10 "The City Administrator and I agree." I wish we could

11 have more -- next time I make this tally, the number is

12 substantially larger than one time. So --

13 THE CHAIRPERSON: Thank you.

14 Mr. Schimmel, any comments?

15 I have two.

16 I just want to comment on the opportunity to

17 meet the students and Mr. Kimble and the opportunity to

18 interact. I found it very engaging and I appreciate

19 your willingness to volunteer for the City and I wish

20 you well on your efforts.

21 And then, secondly, because the City Council

22 is meeting tomorrow night to adopt a budget, that will

23 necessitate a special meeting by the Board for July the

24 1st. So Treasury staff will be working with you to --

25 to schedule that and, hopefully, your schedules will

1 permit that.

2 And that's all I have. So seeing no more

3 Board comment, I'll entertain a motion to adjourn.

4 MR. SCHIMMEL: So move.

5 MR. BURGESS: Support.

6 THE CHAIRPERSON: Moved by Schimmel,

7 supported by Burgess. All in favor of the motion say

8 "aye".

9 BOARD MEMBERS: Aye.

10 THE CHAIRPERSON: Opposed, same sign.

11 The Pontiac Transition Receivership Board is

12 adjourned at 2:49 p.m. Thank you.

13 (Meeting was concluded at 2:50 p.m.)

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1 C E R T I F I C A T E

2

3 I, Mona Storm, do hereby certify that I have
4 recorded stenographically the proceedings had and
5 testimony taken in the meeting, at the time and place
6 hereinbefore set forth, and I do further certify that
7 the foregoing transcript, consisting of (86) pages, is
8 a true and correct transcript of my said stenographic
9 notes.
10
11 _____
Date
12 _____
Mona Storm
CSR-4460
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