JUNE 2014
(06-09-14)

02 City Council Workshop, 5:30 p.m., Council Conference Room ◆
02 City Council, 7:00 p.m., Council Chamber ◆
04 Beautification Advisory Commission, 5:30 p.m., Council Conference Room ◆ ADDED
09 Tax Incentive Review Committee, 5:30 p.m., Admin Conference Room ❖
10 Tax Increment Finance Authority, 4:00 p.m., Admin Conference Room ❖
12 Zoning Board of Appeals; 7:00 p.m. Council Chamber ◆ CANCELED
16 City Council, 7:00 p.m., Council Chamber ◆
18 Beautification Advisory Commission, 5:30 p.m., Council Conference Room ◆
24 Library Board, 5:00 p.m., Library, Conference Room 📖
26 Planning Commission, 7:00 p.m., Council Chamber ◆
30 City Council Workshop, 5:30 p.m., Council Conference Room ◆ ADDED

◆ City Council Chamber (Conf. Rm.) – 1827 N. Squirrel Road
❖ Administrative Conference Room – 1827 N. Squirrel Road
❖ Public Safety Building – 1899 N. Squirrel Road
❖ Community Center – 1827 N. Squirrel Road
❖ Department of Public Services (DPS) – 1500 Brown Road
❖ Fieldstone Golf Course - 1984 Taylor Road
❖ Library - 3400 Seyburn Drive
❖ Downtown City Offices – 3395 Auburn Road, Suite A
❖ University Center, 3350 Auburn Road, Main Floor, Classroom AHUC-02
08 Tax Increment Finance Authority, 4:00 p.m., Admin Conference Room
10 Zoning Board of Appeals; 7:00 p.m., Council Chamber
14 Tax Incentive Review Committee, 5:30 p.m., Admin Conference Room
14 City Council Workshop, 5:30 pm., Council Conference Room
14 City Council, 7:00 p.m., Council Chamber
16 Beautification Advisory Commission, 5:30 p.m., Council Conference Room
22 Board of Review, 11:00 a.m., Admin Conference Room
22 Library Board, 5:00 p.m., Library, Conference Room
24 Planning Commission, 7:00 p.m., Council Chamber
28 City Council, 7:00 p.m., Council Chamber
1. MEETING CALLED TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL OF COUNCIL
4. APPROVAL OF MINUTES
   4a. Regular City Council – June 2, 2014
   4b. Workshop Minutes – June 2, 2014
   4c. Goals and Objectives Workshop – May 31, 2014
5. APPOINTMENTS AND PRESENTATIONS
6. PUBLIC COMMENT
7. CONSENT AGENDA
   All items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council member so requests, in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.
   7a. Board and Commission Minutes
      7a.1. Tax Increment Finance Authority – May 13, 2014
      7a.2. Tax Increment Finance Authority – June 10, 2014
   7b. Motion – Approve Retrofit LED Lighting
   7c. Motion – Approve GASB 54 Committed Funds
   7d. Motion – Approve Used Car Lot License Renewal – Recycled Bugs/Parts Place, Inc.
8. OLD BUSINESS
   8a. Motion – Approve the Energy Reduction Coalition Lighting Conversion Program Agreement
   8b. Motion – Approve Resolution Authorizing the City Manager to Request Reimbursement of Eligible Mosquito Control
9. NEW BUSINESS
   9a. Motion – Approve Investment Performance Report-Cutwater Asset Management & Ambassador Capital Management
   9b. Motion – Ethics Policy for Council and Committees
   9c. Motion – Approve Bloomfield Orchards Subdivision, Water Main Replacement Bid
   9d. Motion – Approve Asphalt Maintenance Program
   9e. Motion – Approve Resolution Supporting University Drive/I-75 Diverging Diamond Interchange & Way Finding Signage
10. COMMENTS AND MOTIONS FROM COUNCIL
11. CITY ATTORNEY’S REPORT
12. CITY MANAGER’S REPORT
13. EXECUTIVE SESSION – Discussion of Personnel Issue
14. ADJOURNMENT

City Council meeting minutes are on file in the City Clerk’s office. NOTE: Anyone planning to attend the meeting who has need of special assistance under the Americans With Disabilities Act (ADA) is asked to contact the City Clerk’s Office at 370-9402 or the City Manager’s Office at 370-9440 48 hours prior to the meeting. Staff will be pleased to make the necessary arrangements.
CALL TO ORDER: by Mayor McDaniel at 7:00 p.m.
LOCATION: City Council Chamber, 1827 N. Squirrel Road, Auburn Hills, MI 48326

Present: Mayor McDaniel, Mayor Pro Tem Kittle, Council Members Burmeister, Hammond, Knight, Mitchell, Verbeke

Absent: None

Also Present: City Manager Auger, Assistant City Manager Tanghe, Director Olko, City Clerk Kowal, Director of Community Development Cohen, Senior Director Adcock, Finance Director Barnes, Deputy Finance Director Schulz, Accountant Wickenheiser, Assessor Lohmeier, Administrative Assistant Brennan, Volunteer Coordinator Paige Baranyai, Management Assistant Mariuz, City Attorney Beckerleg, City Engineer Juidici, Beautification Advisory Commission Chair Ormsbee.

Guests 16

4. APPROVAL OF MINUTES
4a. Regular City Council – May 19, 2014
Moved by Mitchell; Seconded by Kittle.
RESOLVED: To approve the May 19, 2014 City Council meeting minutes.
VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None

Motion Carried (7-0)

Resolution No. 14.06.099

4b. Workshop Minutes of May 19, 2014.
Moved by Knight; Seconded by Verbeke.
RESOLVED: To approve the Workshop minutes of May 19, 2014.
VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None

Motion Carried (7-0)

Resolution No. 14.06.100

5. APPOINTMENTS AND PRESENTATIONS
5a. Presentation – Beautification Advisory Commission
Ms. Brennan explained the nominating process has been expanded to include on-line nominating. There is also the capability of submitting a photo with the nomination. The City will still take photos of the nominated landscape, for those who don’t submit one. A new option for the actual award is being considered, a small garden plaque, similar to those found in a botanical garden. The awards dinner will take place on Wednesday, September 17th.

Patricia Ormsbee, Beautification Advisory Commission Chair, introduced herself and explained the Commission is trying to change things up a bit with a new award, but still staying true to the intent of the award and the dinner.

Mr. Knight commended the Commission for being innovative and proceeding with new ideas.

Mr. Kittle asked how long the nominating process will be open.

Ms. Brennan stated July 5th is the cutoff date for nominations.

Mayor McDaniel stated he has sat on this Commission and thanked Ms. Brennan, staff coordinator, and Ms. Ormsbee for their hard work and for revamping and updating the program.
5b. Introduction of the Volunteer Coordinator

Ms. Adcock introduced Paige Baranyai, the new Volunteer Coordinator. 

Paige Baranyai, a 15 year resident of Auburn Hills, is amazed at what the City has to offer for both young and older residents. She is very pleased and proud to be a new addition the Senior Services department.

6. PUBLIC COMMENT

Italia Millan, 3744 Bald Mountain Road, asked for a more thorough report to be included in the minutes; her husband spoke at the previous meeting and his comments were summarized.

Mayor McDaniel stated all minutes are a summary of a meeting and thanked Ms. Kowal and her staff for the good job that is done on the meeting minutes.

7. CONSENT AGENDA

All items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council member so requests, in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.

7a. Board and Commission Minutes

7a.1. Beautification Advisory Commission – April 16, 2014

Moved by Verbeke; Seconded by Burmeister. 

RESOLVED: To approve the Consent Agenda.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None

Motion Carried (7-0)

Resolution No. 14.06.101

8. OLD BUSINESS

8a. Motion – Approve 2015-2017 Oakland County Community Development Block Grant Program Cooperative Agreement.

Ms. Adcock explained this is a three year agreement the City enters into with the county. This allows the City to be part of a bigger program at the county level and join 51 other communities, helping to fund the Youth Assistance, HAVEN, minor home repair and Chore services.

Ms. Mitchell asked how the City benefits working with the county, as opposed to directly working with the state to obtain the Block Grant funds.

Ms. Adcock explained the City would have to have a population of 50,000 or more, and if removed from the county, there would be a bid process through MICHTA, with no guarantee of receiving funding. There are three communities she is aware of that after leaving the county program, promptly rejoined the county. The county handles all the administrative work, in addition to what communities complete, as well as the master grant and the associated accounting. It would be very labor intensive for the amount of money the City receives.

Ms. Adcock stated this agreement must be approved by Council every three years, with the choice of opting out. From her standpoint, she doesn’t recommend the City removing itself from the county.

Moved by Verbeke; Seconded by Mitchell.

RESOLVED: To authorize the City Manager to enter into Oakland County's urban county Community Development Block Grant (CDBG) programs for the years 2015, 2016 and 2017, and to remain in Oakland County's urban county program.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None

Motion Carried (7-0)

Resolution No. 14.06.102

8b. Motion – Adopt Amendment to Oakland County Solid Waste Plan

Mr. Auger noted at Council’s request this item is being presented for Auburn Hills to be added to the support of the Solid Waste Plan.

Moved by Burmeister, Seconded by Hammond.

RESOLVED: To adopt the Amendment to the Oakland County Solid Waste Plan.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None

Motion Carried (7-0)

Resolution No. 14.06.103

8c. Report – Oil and Gas Wells Ordinance Update

Mr. Cohen explained the State allows drilling in any zoning district on any land throughout the community, including residential properties. Because of the State law, Council adopted an oil and gas well ordinance, restricting drilling, after an extensive five month research and investigation, including hearing concerns of residents. The restricted location for drilling operations is limited to the industrial districts. The City exercised its authority of restricting the drilling through the
Michigan Zoning Enabling Act; not having conflicts with state or federal laws and not being exclusionary (wells being allowed in reasonable locations).

There are concerns that the ordinance has not done enough addressing specific issues. Cost recovery can be included in the ordinance and a cash bond to be collected in the event of damages or restoring the site.

Restricting wells to the I-2 and I-3 districts is not recommended, because there are not sufficient sites available. This would be less than 1% of parcels available and could put the City in a difficult legal challenge position.

Mr. Cohen stated MDEQ officials are present to answer questions. He recommends an amendment to the ordinance to include the cost recovery and cash bond issues and does not recommend including the other six issues:

1. The City should restrict oil and gas wells to only properties in the I-2 and I-3 zoning districts.
2. The City should require the 1,000 ft. setback be measured from the property line of residentially-zoned homes, in lieu of just the structure.
3. The City should regulate the type of wellhead used for the operation (prohibiting “horse head” style wellheads).
4. The City should require baseline water testing.
5. The City should have restrictions on groundwater and surface water withdrawal.
6. The City should require air and water quality monitoring.

Mr. Knight believed 40 acres was needed to construct a well on residential property and asked if the City should establish a property size for the other zoning districts in which a well could be constructed.

Jack Lanigan, Geologist for the State of Michigan Oil, Gas and Minerals department introduced himself.

Ms. Verbeke thanked Mr. Lanigan for attending this evening’s meeting and understood the DEQ requires baseline water testing as a precursor to applying for a drilling permit.

Mr. Lanigan explained baseline water testing is required when a production facility is being built, but not required for the actual well. There are new proposed rules currently in the deliberative process at the Office of Regulatory Reform. The new rules would require stricter sampling of groundwater at the fracking site.

Continuing, Mr. Lanigan stated baseline water testing isn’t required, but the MDEQ suggests a property owner have a baseline water test included in the contract. The cost of the testing that the DEQ requires or suggests, looking for specific chemicals, is approximately $100 to $200 per sample. The testing is being considered as an added requirement, but only for sites of high volume hydraulic fracturing. His presentation in January demonstrated the surface installation of the well has protections several hundred feet below the fresh water zone, which is cemented in place with steel pipes, with two or three layers of steel inside. It is the position of the MDEQ there is adequate protection at the individual well. The production facility has additional tanks, which is why baseline water testing is required as well as continuous monitoring on a six month schedule.

Mr. Kittle asked where in southeast Michigan is fracking currently taking place.

Mr. Lanigan stated the nearest locations are in Sanilac, Livingston, and Hillsdale Counties.

Ms. Mitchell asked why the baseline water testing is not required at the well site.

Mr. Lanigan stated there isn’t any requirement on file; the requirements or lack of, precedes his employment with the Department.

Ms. Verbeke asked Mr. Lanigan if he believes this should be a requirement and if there will be a push for legislative change.

Mr. Lanigan stated he doesn’t know the answer to the question; again, the DEQ recommends land owners include the baseline water testing as part of the lease agreement with the operator.

Mr. Burmeister asked why the City cannot require baseline water testing.

Mr. Beckerleg suggested the expertise and cost is prohibitive. There are protections in place that go 100 feet below the base of the lowest fresh water. The aquifer ranges in depth from 35 feet to roughly 600 feet, and the additional protections extend 100 feet below the lowest level of the aquifer. As noted by Mr. Lanigan, the property owner should be making sure to include baseline water testing part of the lease. The baseline water testing cannot be a requirement of the City, but can be a requirement of the property owner.

Ms. Verbeke asked Mr. Lanigan if he is aware of any communities in Michigan who require a cash bond or insurance to protect themselves in the event of any problems that may arise with a well.

Mr. Lanigan stated he is not aware of any government units that require either, but there may be.

Mayor McDaniel stated he will allow public comments, but they will be limited to, two minutes.

Richard Brennan, 3559 Leyland Court, questioned electronic sensors and the issue GM had with them, asking if they are safe. He also asked who will ensure rules and regulations will be followed by any and all oil and gas drilling companies.

Italia Millan, 3744 Bald Mountain Road, doesn’t understand why the City won’t require baseline water testing and why environmental monitoring has not been investigated as suggested.
Mr. Beckerleg noted Auburn Hills is breaking new ground in adopting this ordinance. The whole basis of this ordinance is because of the Michigan Zoning Enabling Act authorization, that states the City has the ability to regulate through the zoning process where oil and gas drilling occurs. Everything contained in this ordinance has to be supported by some legal authorization; he must be able to support all parts of the ordinance in court should a company take legal action against the City. There is no legal authorization that he can find to get into the environmental issues; the MDEQ has certain environmental issues in place prior to the MDEQ issuing a permit. The City’s ordinance requires a MDEQ permit be obtained prior to a permit being issued by the City. The MDEQ is the environmental expert for the State and he most likely would not be able to defend additional environmental requirements in the City’s ordinance.

**Don Hughes**, 3744 Bald Mountain Road, believes allowing oil and gas activity in the I-1 zoning district goes against the City’s ordinance. Also, there are large residential lots that abut I-1 zoning, which could be subdivided in the future and the 1,000 foot setback would not be met.

**Philip Clampitt**, 3744 Tienken Road, thanked City Council and all staff members for all the work that was put into this ordinance. He asked the City ordinance require no wells be drilled in or near Hawk Woods Nature Center and be 1,000 feet from any park or nature center.

Mr. Beckerleg noted a restriction of 1,000 feet from any park or nature center would eliminate a significant number of the I-1 sites. He noted, there has been drilling at Kensington Park for a number of years without incident.

Ms. Verbeke stated she wants the I-1 zoning removed from the ordinance, suggesting Mr. Hughes’ observation of the ordinance directly violates the City’s ordinance.

Mr. Beckerleg explained the purpose of Article 13, which Mr. Hughes cited, was done years ago when oil drilling wasn’t even thought of, and to suggest it was intended to prohibit oil drilling is ingenuous. There are I-2 and I-3 properties that also abut residential properties. What constitutes an exclusionary zoning is if a use is effectively prohibitive and/or doesn’t make a reasonable accommodation to allow a particular use in a city. The City has only 8% or 9% of I-1 zoning, and by removing the I-1 zoning, the percentage drops to less than 1% of sites allowed for drilling in the I-2 and I-3 districts. This would be very, very difficult to defend as not being exclusionary zoning.

Ms. Verbeke asked if the portion of the ordinance Mr. Hughes referenced should be removed from the ordinance; there shouldn’t be picking and choosing which ordinance, in part or in full, should be followed.

Mr. Beckerleg agreed the ordinance can be reviewed; however, the issue comes down to the motivation. If the real motivation of removing I-1 from the oil and gas drilling ordinance, is for the elimination of 363 drilling sites, that is not the proper analysis. The proper analysis is, did the City utilize its power under the Zoning Enabling Act make a reasonable accommodation to allow sites to be utilized for gas and oil drilling.

Mr. Cohen confirmed the City’s I-2 and I-3 zoning districts are less than half of 1%.

Ms. Mitchell thanked the staff for the additional information provided and addressing concerns. She would like to see the City move forward with the recommendation of the cost recovery and the cash bond. She is concerned with the lack of baseline water testing at the drill sites. She would like the City to encourage the State to include the need for baseline water testing at drilling sites; the State must see merit in the testing if they are suggesting property owners include the testing in the lease. She questioned how is it possible to make sure the preventative measures are working, if there isn’t a baseline test in which to compare.

Mayor McDaniel also thanked City staff, including Mr. Beckerleg; he believes the topic has been thoroughly investigated and researched. City Council, the Planning Commission and staff all worked as a team extensively, and have been very transparent through the entire process. Several meetings were held to hear the resident’s concerns as well as having experts speak on the topic. He is very confident in moving forward with the recommendations staff made this evening, allowing the most strict and enforceable ordinance possible.

Mr. Kittle agrees with Ms. Mitchell, and possibly after the summer break, we should give a push to the local legislators to take action on baseline water testing.

Ms. Hammond stated even though she didn’t vote for the original ordinance, she will vote for the amendment to the ordinance, because it is more restrictive.

Ms. Verbeke asked Mr. Cohen if the electronic sensor testing was investigated.

Mr. Cohen asked Mr. Lanigan if he had any knowledge.

Ms. Verbeke asked Mr. Brennan what it was Mr. Pierce of the Planning Commission said regarding electronic sensors.

Mr. Brennan stated Mr. Pierce said ‘I will only vote yea if we include monitoring sensing devices that will warn the citizens if there is any danger’. There are only two site visits by DEQ a year; he would like to know the status of Mr. Pierce’s request.

Mr. Lanigan stated each well is inspected at least twice a year. The gas and oil companies hire people to monitor the sites, who are required to be on site almost every day. There is also a Murphy’s switch that will automatically shut the system down if there is a problem.
Mr. Auger noted at the sites staff visited, the companies have devices on the apparatus at the sites that are controlled via the internet. Generally, if there is a problem, a person can be on site within an hour. If an alarm sounds it automatically shuts down the machine. There are many safeguards the companies have built into their systems to protect anything negative from happening. He wasn’t sure, but thought a person visits each site at least once daily.

Mr. Cohen confirmed for Ms. Verbeke that if a permit transfers from one company to another or if there is any change in the permit that the City must be notified in a specific amount of time.

Mr. Burmeister asked Mr. Beckerleg if there has been any word from the State of increasing the setback to 1,000 feet. Mr. Beckerleg stated he reviewed what laws are pending, and this particular one is stuck in committee, since July 2013.

Mayor McDaniel asked if there were any more comments from the audience; there were none.

Moved by Mitchell, Seconded by Knight.

RESOLVED: To authorize the Director of Community Development, in conjunction with the City Attorney, to prepare an amendment to Ordinance 14-859 to address the issues of cost recovery and bonds for the consideration of the Planning Commission and City Council.

Ms. Verbeke stated she will not vote in favor of the amendment, though she is in favor of the cost recovery and bonds, but doesn’t feel the amendment includes enough additional protection.

Mayor McDaniel noted even though the cost recovery and bonds are an amendment to the ordinance at this time, it doesn’t necessarily mean he is totally satisfied with the entire ordinance, but suggested this could be one of many amendments to the ordinance.

Ms. Verbeke thanked Mayor McDaniel.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell
No: Verbeke
Motion Carried (6-1)

Resolution No. 14.06.104

9. NEW BUSINESS

9a. Public Hearing/Motion – Approve request by Trace Zero Inc. for Establishing an Industrial Development District

Mr. Lohmeier explained this is a request to establish an Industrial Development District for 2740 Auburn Court. The parcel consists of 1.840 acres and is zoned I-1; Light Industrial. At the time of purchase, the building was vacant.

To the best of staff’s knowledge there are no outstanding and/or pending appeal(s) involving this property by the applicant or any request within the City.

Mr. Knight believed the entire industrial park was an Industrial Development District.

Mr. Lohmeier noted there is not an Industrial Development District associated with this property.

Mayor McDaniel opened the public hearing at 7:58 p.m.

Frank Taub, President of Trace Zero, introduced himself and was ready to answer questions.

Hearing no questions, Mayor McDaniel closed the public hearing at 7:59 p.m.

Moved by Knight; Seconded by Hammond.

RESOLVED: To approve the request to establish an Industrial Development District for Trace Zero Inc. by adopting the attached resolution (Attachment A).

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None
Motion Carried (7-0)

Resolution No. 14.06.105

9b. Motion – Accept 2013 Financial Report & Plante Moran’s Audit Reports

Mr. Barnes noted the presentation will be done by David Helisek and Michelle Watterworth.

David Helisek noted the only part of the financial statement that is Plante Moran’s is the audit opinion. The City was given an unmodified opinion, which is the highest level of assurance that a set of financial statements can be given. This means the statements as presented, fairly reflect the financial condition of the City as of December 31, 2013.

Michelle Watterworth stated instead of reviewing the entire Financial Statement, page for page, the key pieces of information are contained in the PowerPoint presentation, as follows.
The first two slides focus on the revenue, the first comparing last year to this year; an increase of about 3%. Property taxes dropped in 2013, not an unexpected decline. The Licenses and Permits increased significantly because of the building permits being issued. Charges for Services also increased, which would be engineering and plan review fees. The next graph is only for 2013, to show the major sources of revenue. This year, 63% of revenue was through property taxes and 8% from State revenue, both of which the City has no control.

The Timing of Property Tax Decreases gives a historical perspective as well as a future outlook. This demonstrates the lag between the property assessments and when the City records the revenue.

Responding to Mr. Knight, Ms. Watterworth stated based on the current taxable values, the taxable values are anticipated to rise.

Mr. Knight asked because he is a forecaster for the Pontiac Promise Zone Board, which helps when determining scholarships. He noted this year’s property tax value is very similar to last year’s.

Ms. Watterworth next looked at the City’s expenditures. The comparison between 2012 and 2013 shows a decrease in General Fund Expenditures for 2013; about a $2.6 million decline. The two main reasons are, the Capital Outlay for 2012 was over $2 million and for 2013 it was just over $600,000. There also weren’t as many road projects in 2013 as there were in 2012. In 2012, $3 million was transferred from the general fund to other funds, such as Major Streets and Roads and the Golf Course Funds. In 2013 funds were also transferred to the Golf Course.
The General Fund – Fund Balance shows the four year trend from 2010 forward to 2013. The Fund Balance for 2012 and 2013 has stayed much the same. The Fund Balance came in nearly $2 million higher than projected in both 2012 and 2013. Compared with other communities, the City is in very good financial shape.

Mr. Knight asked what caused the fund balance to be higher than projected, asking if there were any deferred projects. Mr. Auger stated every year during the budget season staff looks at the planned projects for the year and determines if the particular project can be postponed or possibly done in conjunction with another project, which may include state or federal funding. Continuing, Mr. Auger stated next year will be different, there are three major projects being proposed. This year there weren’t any large projects that were deferred; it was a combination of how DPW manages projects.

Ms. Watterworth noted next is the Water & Sewer Fund, showing the prior two years, current year, and looking towards the next two years. The graph reflects the differences between the operating revenue and the operating expense. The operating expense also includes depreciation on the capital assets. In 2011 the operating expenses exceeded the operating revenue; the trend is similar for years 2010 and 2009. In 2012, the trend reversed itself and in 2013 both expense and revenue are fairly close. The trend for 2014 and 2015 is expected to have operating revenue exceed operating expense.

Mr. Knight stated the cash balance went up more than what is indicated, because of depreciation.

Continuing, Ms. Watterworth explained the golf course chart provides a five-year trend for operating revenue and operating expense; a cash flow expenses is included. The City submitted a Deficit Elimination Plan to the State in 2009; the plan projected the deficit would be eliminated in 2013. As of December 31, 2013, the golf course no longer has a deficit within the fund. The graph indicates operating expenses exceeding operating revenue; however, the operating revenue exceeds the cash flow expenses. Again, there is a large non-cash item in operating expenses for depreciation.

Ms. Hammond asked if the food service information is included for the golf course.

Mr. Barnes stated the golf course operations include both the golf course and the food & beverage revenue. Ms. Hammond speculated the revenue will change since the food & beverage has been out-sourced.
Ms. Watterworth continued referencing Section I – Internal Control Related Matters Identified in an Audit of the letter. Only one item was noted, an auditor journal adjustment entry was done for the year end entries, which do not affect day-to-day operations.

Next Section II – Required Communications with Those Charged with Governance; auditor standards require a number of items must be communicated to the client. This year the City implemented a new accounting standard, which includes deferred inflows and deferred outflows. The approximately $100,000 of previously unamortized bond issuance costs have been absorbed into the golf course fund. Accounting estimates are part of the financial statements. The most sensitive estimates affecting the financial statements were related to the recording of liabilities and expenditures for pending tax tribunal cases, the property tax chargebacks from Oakland County, and the estimated pension/OPEB assets related to the pension and retiree healthcare funds. There were no difficulties or disagreements with management in performing the audit. Regarding Misstatements, management corrected all misstatements, it wasn’t necessary for the auditors to post those adjustments, since they were very low.

Responding to Mr. Kittle, Ms. Watterworth noted the only estimate that needed an adjustment was the Oakland County chargeback; the City’s estimate was low, and not very significant.

Mr. Helisek proceeded with Section III – Legislative and Informational Items; there are a number of items that will impact local governments in the next year or so. The Governor’s proposed budget plans for revenue sharing, calls for increases in both constitutional revenue sharing and EVIP (Economic Vitality Incentive Program). The figures represent a 3% increase in the required revenue sharing, essentially funded by the state sales tax, and a 15% increase in the EVIP payments. There are three criteria that must be met for the City to be eligible; there is a second alternative, which is a four step process. A supplemental fund has been created for qualified communities of $28.8 million; at least one of four criteria must be met. The criteria are: 1) Meet the new four best practices standards for EVIP; 2) Are in the top 25% of Michigan communities with populations of at least 5,000 based on violent crime rates; 3) Are in the top 25% of Michigan communities with populations of at least 20,000 based on unemployment rates; 4) Have a deficit elimination plan approved by the Department of Treasury.

This is an attempt to reward the communities that are adhering to best practices but also to provide some additional funding for challenged communities.

Personal Property Tax will be on the ballot for the voters to consider in August. The language has changed considerably; it was hoped there would be an 80% reimbursement of lost personal property tax. The latest ballot language would increase the reimbursement at 100%. There is a formula of how the monies will be collected and distributed to the local units. The reimbursement money will come from two sources; an Essential Services Assessment, which will be levied beginning in 2015, if passed by the voters, as well as a Use Tax that is part of the package.

There are proposed changes to Public Act 54 of 2011 that prohibits retro pay on expired contracts. The proposed changes would exempt police, fire, and emergency medical personnel. Thus far, the bill has not passed the House or Senate.

There is new Letter, 2014-1, superseding the prior letter, clarifying when a deficit elimination plan is required and when an entity would need to formulate a plan.

A new reporting requirement by MDOT will be due each year, beginning in 2014. Public Act 506 of 2012 places EVIP-like requirements to Act 51 monies. The City meets the three criteria to receive those monies.

Regarding Occupancy Rate, there is proposed legislation, allowing values to be increased beyond the Proposal A limits if a loss had been previously allowed because of a decrease in occupancy rate.

All entities receiving federal dollars will need to understand the changes made as a result of the reforms; Plante Moran has webinars available to learn more. The reforms impact three key areas of federal grants management: 1) Audit Requirements – the federal awards audit threshold will increase from $500,000 to $750,000. It has been approximately two years since the City has had that type of audit. The likelihood the City would reach that threshold would require a significant project; 2) Cost Principles; 3) Administrative Requirements.

Lastly, the new pension standards required for the next fiscal year will measure the City’s true liability. Currently, the only liability or asset that is recorded on financial statements is the difference between the annual required contribution and the contribution that is actually made. The new standards will better define what the assets are and the net liability.

Mr. Knight understands the audit certifies the numbers are correct, but nobody physically checks the banks, making sure the funds are where they are suppose to be.

Mr. Helisek stated the audit indicates the reports are accurately represented.

Ms Watterworth stated part of the audit confirms with the bank the funds are there; a form is sent to all the banks the City does business with, and asks what each has on hand for the City.

Mr. Kittle asked when looking at the City’s original budget for 2013, and based on the outcome of the 2013 year-end balance being higher than anticipated, does the uniform budgeting act require the City to do an amended budget for 2014.

Ms. Watterworth stated the only time an amendment must be done, is if the City, on a budgetary basis, were planning to go over the budgeted expenditures. Spending more than what is budgeted is a violation of the Budgeting Act.
Mr. Helisek stated it is good practice to restate the beginning of the year fund balance.
Mr. Kittle asked regarding the compensated absences liability that is carried on the books, is there a ratio that one should fall between, or a percentage of expenses, is there a best practice, and if so, how does the City compare.
Mr. Helisek stated he hasn’t seen a best practice. That number represents the benefits that have been earned but have not been paid out. This won’t relate to any specific expense; what it could represent most is the experience level of the folks that are still employed by the City.
Mr. Kittle stated it is carried as a liability on the balance sheet, is there a ratio, similar to a debt ratio.
Ms. Watterworth stated that has not been done for any community that she is aware of.

Moved by Knight; Seconded by Kittle.
RESOLVED: To accept and approve the City’s Financial Report with Supplemental Information for the year ending December 31, 2013 and the related communications letter as presented by the City’s independent auditors, Plante Moran.
VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None Motion Carried (7-0)

Resolution No. 14.06.106

10. COMMENTS AND MOTIONS FROM COUNCIL
Ms. Hammond:
• Asked if the planters being installed on Squirrel Court, will allow perennial plants be left in the planters and not be removed like the other planters downtown.
  Mr. Juidici explained the planter boxes that will be installed can support perennial plants; there is no lighting system installed, but there is irrigation.
Ms. Verbeke:
• Thanked Council for the Goals and Objectives session held Saturday and asked Mr. Auger when the report will be available.
  Mr. Auger stated he just received Dr. Piskulich’s report earlier in the day and has not yet reviewed it yet, but should be available later in the week.
Mr. Knight:
• Suggested when planning next year’s budget, based on a news article he read about Troy, the enforcement of road weight limits and what was accomplished. He would like a special budget for road weight enforcement. Troy has caught many trucks being in violation.
• Asked the status of the wiring downtown and if everyone is connected to the underground system and if so, when will the poles be removed. Also near the parking structure there is a big hole in the ground near the new poles.
  Mr. Tanghe explained the wiring is completed for the businesses, the poles are scheduled for removal, but he isn’t sure of specifics, and the hole will be supporting another pole.
• Thanked the City for having the large DPW truck in the Memorial Day Parade.
• After talking with the Mayor, hopes the City will place a memorial wreath at the cemetery on behalf of the City next year.
  Mr. Auger stated they are available on a first come – first serve basis to the residents at the end of the season.
• Believes there should be a square footage requirement for a well base placed on industrial property.
Mr. Burmeister:
• Enjoyed the Goals and Objectives session and thought it was very productive.
Mr. Kittle:
• Appreciated the effort of everyone and he too enjoyed the Goals and Objectives session.
Ms. Mitchell:
• The Farmer’s Market begins Friday as does the Concerts in the Park.
• She values the conversation Council had earlier during the workshop and thought it was one of the more productive workshops. At the May workshop, there was talk of adding a workshop for the fifth Monday of the month and June 30th, would be a fifth Monday. She asked if any Council Members were interested in a workshop. Mayor McDaniel noted that was on his list to mention as well and it would make good use of the extra Monday. He asked for discussion and/or a motion.
  Mr. Knight noted he is at church camp that week, but will make the extra effort to attend the workshop. Saturday is the free fishing day in the State and the river will be stocked with trout.
Moved by Verbeke, Seconded by Mitchell.

RESOLVED: To hold a City Council Workshop on June 30, 2014, at 5:30 p.m.

VOTE: Yes: Burmeister, Hammond, Kittle, McDaniel, Mitchell, Verbeke
No: Knight  

Motion Carried (6-1)

Resolution No. 14.06.107

Mayor McDaniel:

• Paddlepalooza has been rescheduled for Saturday, June 14th.

11. CITY ATTORNEY’S REPORT – none
12. CITY MANAGER’S REPORT – none
13. EXECUTIVE SESSION – Attorney Opinion and Sale of Property

Moved by Verbeke Seconded by Burmeister.

RESOLVED: To adjourn to Executive Session.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell, Verbeke
No: None  

Motion Carried (7-0)

Resolution No. 14.06.108

Mayor McDaniel adjourned to Executive Session at 9:00 p.m. and reconvened the regular meeting at 10:18 p.m.

14. ADJOURNMENT

Meeting adjourned at 10:18 p.m.

__________________________________________  ______________________________________
Kevin R. McDaniel, Mayor     Terri Kowal, City Clerk
CITY OF AUBURN HILLS
RESOLUTION 14-06-105
ESTABLISHING A INDUSTRIAL DEVELOPMENT DISTRICT
FOR TRACE ZERO INC.

At a meeting of the City Council held on the 2nd day of June, 2014 at the City Council Chambers at 1827 N. Squirrel Rd., Auburn Hills MI 48326

It was moved by Council Member Knight and supported by Council Member Hammond:

WHEREAS, Act 198 of the Public Acts of 1974, as amended, authorizes the City Council of Auburn Hills to establish an Industrial Development District; and

WHEREAS, Trace Zero Inc. has petitioned this City Council to establish an Industrial Development District on the property herein described; and

WHEREAS, construction, acquisition, alteration, or installation of a proposed facility within the district has not commenced as of this date of the filing of the request to establish the district; and

WHEREAS, the City Council of the City of Auburn Hills, has given written notice by certified mail to the owners of real property within the proposed Industrial Development District and to the public by newspaper advertisement in the Oakland Press, and public posting of the hearing on the establishment of the proposed district; and

WHEREAS, a public hearing was held on 2nd day of June, 2014 at which all of the owners of real property within the proposed Industrial Development District and all residents and taxpayers of Auburn Hills were afforded an opportunity to be heard; and

WHEREAS, the City Council deems it to be in the best interest of the City of Auburn Hills to establish the Industrial Development District as proposed;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Auburn Hills that the following described parcel of land situated in the City of Auburn Hills, County of Oakland, State of Michigan, to wit:

Parcel identification: 02-14-35-227-016


be and here is established as a Industrial Development District pursuant to the provisions of Act 198 of the Public Acts of 1974 to be known as the Trace Zero Inc. Industrial Development District.

AYES: Mayor McDaniel, Mayor Pro Tem Kittle, Council Members Burmeister, Hammond, Knight, Mitchell, Verbeke

NAYS: None

ABSENT: None

ABSTENTIONS: None

RESOLUTION 14.06.105 ADOPTED (7-0)

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

I, the undersigned, the duly qualified and appointed City Clerk of the City of Auburn Hills, Oakland County, Michigan do hereby certify that the foregoing is a true and complete copy of a resolution adopted at a regular meeting of the City Council held on the 2nd day of June, 2014, the original of which is on file in my office.

IN WITNESS WHEREOF, I have hereunto affixed my official signature on this 5th day of June, 2014.

____________________________
Terri Kowal, City Clerk
1. **Discussion of Ethics Policies**

City Attorney Beckerleg provided each Council Member with proposed policies for Employee, City Council, and City Boards and Commissions Ethics, as well as one on Gift and Gratuities. He explained that these policies are already in place for the employees, and are amended to cover City Council and Committee Members.

Lengthy discussion followed, covering the following topics:

- The policy lists a limit of $25 for an acceptable amount not-to-exceed for a gift. Some Council Members felt that having a limit of the amount in the policy could be difficult to manage. For example, funeral or bereavement floral arrangements would exceed the amount.
- There does not appear to be any violations of the policy with staff members.
- Mr. Kittle would prefer a “zero tolerance” policy. Other Council Members commented that having a pen from a vendor, or a cup of coffee for a working public safety officer would be a violation.
- Mr. Knight believes that using the term “nominal” rather than a set price is more reasonable, as long as the gift is not inappropriate.
- Some Council Members would like to see a disclosure policy in place for elected officials to reveal their campaign donations, especially from any City vendors or professionals.

Mayor McDaniel asked for a consensus on the direction City Attorney Beckerleg should take with these policies. Council concurred that the “nominal” gift language should be used; and want language to indicate that the gift should not be excessive or inappropriate or be intended to influence a vote in any manner. Attorney Beckerleg will bring a revised draft back to Council for approval.

2. **Downtown Development Authority (DDA) Discussion**

Assistant City Manager Tanghe informed City Council Members that they must appoint a DDA Board in order to have a Development Area Citizen’s Council. The Board is appointed first, then the Citizen’s Council. If Council is prepared to appoint members, it could be on the agenda of June 16th. City Attorney Beckerleg reminded Council that it may be difficult to have the DDA in place by the end of the year, which means we may miss out on capturing some of the new downtown developments.

Questions concerning what areas of the City will be part of the new DDA were answered by Mr. Tanghe. The City parks will be covered by both the DDA and the existing TIFA, because we don’t pay taxes on them but will be able to expend resources on them from the DDA if they are part of it. Also asked was what duties the exploratory committee members...
have once the initial investigation is done. Mr. Tanghe replied that they will also assist with the development and finance plan. The requirements for membership on the DDA Board were discussed. Attorney Beckerleg reported that having an interest in the DDA District is required; employment in the district would be sufficient.

Mayor McDaniel asked for direction from Council on where they wanted to go from here, and it was decided to direct Assistant City Manager Tanghe to go forward with the appointment of the DDA Board on the June 16th agenda.

The workshop adjourned at 6:53 p.m.

______________________________  ________________________________
Kevin R. McDaniel, Mayor     Terri Kowal, City Clerk
**The City of Auburn Hills**

City Council Workshop on Goals and Objectives

Minutes

May 31, 2014

CALL TO ORDER: by Mayor McDaniel at 9:00 a.m.

LOCATION: The Den, Auburn & Squirrel Roads, Auburn Hills, MI 48326

Present: Mayor McDaniel, Mayor Pro Tem Kittle, Council Members Burmeister, Hammond, Knight, Mitchell, Verbeke

Also Present: City Manager Auger, Assistant City Manager Tanghe, Deputy Director Manning, Manager Intern Mariuz, Community Development Director Cohen, Facilitator Pat Piskulich, Director of Emergency Services Chief of Police Olko, Senior Director Adcock, and Deputy Director of DPW Grice.

1. **Discussion regarding City Council’s goals and objectives for the coming year.**
   With Facilitator Piskulich leading, City Council Members reviewed last year’s goals and discussed changes they would like to see. Topics included budget conservation, improved services for the residents, public safety, increased communication and Downtown Development.

2. **Adjournment**
   Without objection, the meeting adjourned at 3:00 pm.
CALL TO ORDER: Chairman Hassett called the meeting to order at 4:00 p.m.

ROLL CALL: Present: Ardelean, Dilland, Goodhall, Hassett, Molnar and Price
Absent: Dolly (excused), Gupta (excused), Thornton (excused)
Also Present: TIFA Executive Director Tom Tanghe, Finance Director Gary Barnes, DPW Deputy Director of Infrastructure Jeff Herczeg, Tim Juidici, OHM Engineer, Karrie Marsh, Executive Assistant

LOCATION: Auburn Hills City Hall, Administrative Conference Room, 1827 North Squirrel Road, Auburn Hills, Michigan 48326

PERSONS WISHING TO BE HEARD - None

PERSONS WISHING TO BE HEARD - None

CORRESPONDENCE & PRESENTATIONS
Mr. Tanghe gave an update to the Board on how the DDI presentation was received by attendees last week at the Community Center. He stated the project is receiving support by Senator Marleau, State Representative Tim Griemel and others. He is confident that the project is moving forward as planned.

Chairman Hassett had attended one of the two presentations and asked how many people in total attended the DDI Presentations. Mr. Tanghe had not received that information but was told by Lori Swanson, MDOT Project Manager, that it was the largest turnout that she had seen in a while. Mr. Juidici stated that a large number of contractors attended as well.

APPROVAL OF MINUTES
Moved by Mr. Dilland to approve the April 8, 2014 minutes.
Supported by Mr. Ardelean.
Yes: Ardelean, Dilland, Goodhall, Hassett, Molnar and Price
No: none

FINANCIAL REPORT
Finance Director Gary Barnes presented the financial report for April 30, 2014, reviewing the activities for this period, including the most recent revenues and expenses. That report included the following Total Liabilities and Fund Balances and Available Cash:

| TIFA 85-A | $28,713,000 | Available Cash (TIF-A) | $1,909,241 |
| TIFA 85-B | $14,692,400 | Available Cash (TIF-B) | $10,781,529 |
| TIFA 86-D | $27,080,674 | Available Cash (TIF-D) | $3,143,705 |
|           | $70,486,074 |

Mr. Tanghe stated that it is now time for staff to look closely at the budgets for 2015 and the Board would be meeting in August for budget review, then approval. He also pointed out that the state of the financials were now transitioning from capital mode to maintenance mode. The goal is to spend funds on basics, including the promotion of the Downtown area.

Moved by Mr. Molnar to approve the Financial Report of April 30, 2014 as submitted.
Supported by Ms. Price.
Yes: Ardelean, Dilland, Goodhall, Hassett, Molnar and Price
No: none

Motion carried
OLD BUSINESS – None

NEW BUSINESS
Mr. Tanghe introduced a memo dated May 1, 2014 regarding approval for the Featherstone Road Concrete Overlay and Water Main Replacement, Including Project Overages. The Board also received a copy of a memo from OHM Engineer Tim Juidici which explained the bid tabulation information for the project that was made available my MDOT. Preliminary project estimates that were prepared last summer were based on construction costs at that time. Cost came in higher than expected and can be primarily attributed to the concrete overlay costs.

There was discussion about the reasons for costs being more than originally expected, such as supply and demand and that competition had been reduced greatly due to the I-96 road project taking place.

Moved by Ms. Price to authorize additional funding required for the Featherstone Road Concrete Overlay and Water Main Replacement. Total TIF Funding for the project is $1,790,415.00 and shall be provided from TIFA B Account # (252-736-973.000-14STP-FSTONE) in the amount of $1,000,000 and TIFA D Account # (253-737-973.000-14STP-FSTONE) in the amount of $790,415.00
Supported by Mr. Goodhall.
Yes: Ardelean, Dilland, Goodhall, Hassett, Molnar and Price
No: none          Motion carried

BOARD MEMBER COMMENTS
Chairman Hassett inquired about the usage of The DEN and the parking structure. He would like to know how many cars per day use the ramp.

Mr. Tanghe stated that although The DEN is utilized he anticipates usage being lighter during the summer months. His concern is that we keep The DEN staffed regardless of usage to provide consistency in hours to keep the space available for the students.

Chairman Hassett’s expectation is to use funds to further promote The DEN. Mr. Tanghe gave examples of how The DEN is advertised to students at college events such as Go for the Gold at OU. Literature is distributed whenever possible. Significant success was not expected this year but is expected to naturally pick up.

Ideas were shared to create more interest in The DEN such as offering coupons from local merchants, giving away free food items, and advertising in school newspapers such as The Oakland Post.

Mr. Tanghe thinks that the presence of students at The DEN this fall will be a true test of the efforts being made.

Mr. Dilland asked for a summary of development efforts in the Downtown area. Mr. Tanghe gave brief updates on the status of projects at various phases.

ANNOUNCEMENT OF NEXT MEETING – The next regularly scheduled TIFA Board meeting is Tuesday, June 10, 2014 at 4:00 p.m. at City Hall in the Administrative Conference Room.

ADJOURNMENT
Moved by Mr. Goodhall to adjourn the meeting at 5:05p.m.
Supported by Mr. Molnar.
Yes: Ardelean, Dilland, Goodhall, Hassett, Molnar and Price
No: none          Motion carried

Respectfully submitted,
Steve Goodhall     Karrie Marsh
Secretary of the Board   Recording Secretary
CALL TO ORDER: Chairman Hassett called the meeting to order at 4:00 p.m.

ROLL CALL: 
Present: Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar, and Thornton
Absent: Price
Also Present: TIFA Executive Director Tom Tanghe, Finance Director Gary Barnes, Finance Deputy Director Michelle Schulz, Deputy Director of DPW-Quality of Life Services Don Grice, Deputy Director of DPW-Infrastructure Jeff Herczeg, OHM Engineer Tim Juidici, Executive Assistant Karrie Marsh

LOCATION: Auburn Hills City Hall, Administrative Conference Room, 1827 North Squirrel Road, Auburn Hills, Michigan 48326

PERSONS WISHING TO BE HEARD
None

CORRESPONDENCE & PRESENTATIONS
Mr. Tanghe shared with the Board a traffic study of the parking garage provided by Director Olko. On an average, 100 cars enter the parking garage per day. Chairman Hassett commented that the daily average would suggest that residents and visitors are not using the parking garage as was intended and maybe they are not aware that it is a possibility. Mr. Tanghe stated that the DPW will produce public parking signs so that visitors are aware.

Chairman Hassett asked if there were plans to market The Den. Mr. Tanghe’s response was that the next opportunity to promote it would be at OU’s Go for the Gold event when the Fall semester begins.

Mr. Tanghe provided an overview of the financial condition in preparation of the 2015 budget. TIF A will have approximately $2 million, TIF B will have approximately $10.5 million and TIF D will have approximately $1.4 million, which will total approximately $14 million in 2015.

APPROVAL OF MINUTES
Moved by Mr. Molnar to approve the May 13, 2014 minutes as submitted.
Supported by Mr. Goodhall.

Yes: Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar and Thornton
No: none

Motion carried
FINANCIAL REPORT
Finance Director Gary Barnes presented the financial report for May 31, 2014, reviewing the activities for this period, including the most recent revenues and expenses. That report included the following Total Liabilities and Fund Balances and Available Cash:

TIFA 85-A $ 28,649,402  Available Cash (TIF-A) $ 1,791,918
TIFA 85-B $ 14,428,549  Available Cash (TIF-B) $10,523,127
TIFA 86-D $ 27,079,641  Available Cash (TIF-D) $ 3,149,233
$ 70,157,592

Mr. Molnar asked about the MTT Liabilities on the summary report. Mr. Barnes commented that the funds were a reserve. The amount reflects the taxes owed to the City but it is a reserve in case they are not paid as expected.

Moved by Mr. Molnar to approve the Financial Report of May 31, 2014 as submitted.  
Supported by Ms. Dolly.

Yes:   Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar, and Thornton  
No: none  
Motion carried

OLD BUSINESS
None

NEW BUSINESS
Mr. Tanghe introduced a memo dated June 3, 2014 regarding the purchase of 65 LED lighting systems for Downtown streetlights. The purchase will be a part of the planned second phase of the replacement program. Mr. Tanghe introduced Mr. Grice to answer any questions for the Board.

Chairman Hassett asked if the first phase had any impact on the electric bill. Mr. Grice responded that because the lights were installed in different sections of the city and were so spread out, plus due to the fact that the previous lights were quite efficient, it was difficult to see an impact at this time.

Mr. Dilland asked if any of the replacement lights had failed. The answer was no.

Moved by Mr. Molnar to recommend to City Council the purchase of 65 LED lighting systems for Downtown streetlights to Lumagine LLC, 11441 Rupp Drive Burnsville, MN 55337 in the amount of $28,614.95, from TIF District-A account #251-735-970.000.

Supported by Ms. Thornton.

Yes:   Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar, and Thornton  
No: none  
Motion carried

Mr. Tanghe introduced a memo dated June 5, 2014 regarding the 2014 Asphalt Program, Construction and Engineering Services. Only one bid was received. Mr. Tanghe introduced Mr. Herczeg to answer questions for the Board. The asphalt areas that will be focused on are at the Community Center and in front of the Public Safety Building. Due to the bid being higher than anticipated, the goal is to scale back on the community center area and focus on the public safety area which has a higher need rating.

Mr. Hassett asked why the bid was higher than expected. Mr. Herczeg responded that the cost of materials are higher due to supply and demand, plus the scope of work which includes hand work patching that drives the cost up.
Mr. Juidici stated that only one contractor in the area does this type of work. A couple other contractors were too busy to consider the job. The fact that much of the work involves hand work patching could also be the reason the bid is higher than expected as well.

Move by Mr. Dilland to authorize the costs and recommend to City Council award of the 2014 Asphalt Program to National Highway Maintenance and Construction, PO Box 74411, Romulus, Michigan 48174 in the amount of $70,000.00. Further, to approve the OHM Scope of Construction Services where services will be performed on a time and material basis for the not-to-exceed amount of $8,500.00 with materials testing estimated at $500.00 for a total of $79,000.00 from TIFA D (253-737-931.200).
Supported by Mr. Thornton.

Yes: Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar, and Thornton
No: none

BOARD MEMBER COMMENTS
Chairman Hassett expressed thanks for the asphalt that was added to the University Drive Bridge.

Mr. Tanghe gave an update on the Burton-Katzman project and the townhouse project on the south side of Primary. Architect Glenda Meads will be working on designs for the 24 townhouses and the project, Primary Pointe, will be going before the Planning Commission in July.

Mr. Tanghe will be organizing a planning charrette that will take place in late July regarding the redevelopment of the Mound Steele property.

Parkways Blvd. is going out to bid in August and construction is expected to begin in the fall.

A closing will be held this Thursday on the last 6.3 acres north of Forester Square.

ANNOUNCEMENT OF NEXT MEETING – The next regularly scheduled TIFA Board meeting is Tuesday, July 8, 2014 at 4:00 p.m. at City Hall in the Administrative Conference Room.

ADJOURNMENT
Moved by Goodhall to adjourn the meeting at 4:48 p.m.
Supported by Thornton.

Yes: Ardelean, Dilland, Dolly, Goodhall, Gupta, Hassett, Molnar and Thornton
No: none

Respectfully submitted,

Steve Goodhall                 Karrie Marsh
Secretary of the Board          Recording Secretary
INTRODUCTION AND HISTORY
In 2011 the Department of Public Works began researching and testing LED retrofit lighting systems for the decorative light poles in the Downtown. Our in-house testing concluded that six lighting systems would meet the minimum standards required to be considered a viable replacement. Following testing, one fixture from each of the six approved lighting systems was purchased and installed Downtown for a side by side comparison. In an effort to ensure that the correct lighting system was selected, the DPW along with the TIFA Board of Directors formed a seven member committee to further review the six systems. The Committee evaluated the LEDs based on several factors:

- Appearance
- Cost (ROI)
- Energy Savings
- Brightness
- Warranty
- Ease of Installation

After two meetings (including an after dark infield visit Downtown) the Committee scored the six lighting systems utilizing a matrix composed of the aforementioned factors. The Committee’s top scoring went to Millerbernd- Lumagine. Following a competitive bid for “tested and approved” LED lighting systems, the DPW purchased 80 LED retrofit systems from Millerbernd- Lumagine to replace existing lights as they fail. At this point, all 80 systems purchased in 2011 have been installed. The DPW is now requesting to purchase a second phase of lighting systems to continue the replacement program. The DPW was also successful in achieving an additional 1.3 percent discount off of the 2011 purchase price.

STAFF RECOMMENDATION
Based on research and testing conducted by the DPW, the infield performance of the Lumagine LEDs and the recommendation of the LED Lighting Committee, the DPW recommends approval of the Lumagine lighting systems.
MOTION
Move to approve the purchase of 65 LED lighting systems for Downtown streetlights to Lumagine LLC, 11441 Rupp Drive Burnsville, MN 55337 in the amount of $28,614.95, as recommended by the TIFA Board of Directors. Funding to be provided from TIFA-A, account #251-735-970.000.

I CONCUR: ______________________

PETER E. AUGER, CITY MANAGER
DATE: JUNE 16, 2014

To: Mayor and City Council
From: Peter E. Auger, City Manager; Gary Barnes, Finance Director
Submitted: June 12, 2014
Subject: Fund Designations – GASB 54

INTRODUCTION AND HISTORY
GASB 54 is intended to improve the usefulness of the amount reported in fund balance by providing more structured classifications. It moved from the prior standard of reporting 3 main classifications to 5 new fund balance classifications (non-spendable, restricted, committed, assigned and unassigned). As required by GASB 54, the City implemented the use of the new fund designations in its financial statements for the periods ending on or after December 31, 2011.

A resolution approving the designation of each of the City’s funds was presented and approved at the December 19, 2011 City Council meeting. Specifically the Street Improvement, Sidewalk Improvement, and Storm Water Management, which are supported almost entirely by General fund transfers, were approved to be treated as Committed Fund Balances. Subsequently, other GASB reporting guidelines resulted in the City having to include these three funds for financial reporting as departments of the General fund.

Because departments of the General fund do not maintain individual fund balances, the City has chosen to continue to report these three capital outlay departments as committed by using the subsequent year’s adopted budget amount in the City’s audited financial statements. In order to comply with the GASB 54 requirements, the governing body of the municipality needs to pass a resolution (copy attached) which states that the City Council approves the use of the subsequent year’s budget for the three departments to be shown as committed funds on the City’s financial statements. The designation of committed funds can be removed or changed only by the City Council at any time in the future.

STAFF RECOMMENDATION
Staff is recommending that the Street Improvement, Sidewalk Improvement, and Storm Water Management departments of the General fund to be shown as committed funds on the City’s audited financial statements using the subsequent year’s adopted budget amount. The amount of $2,551,163 is shown on the Exhibit A-3 of the City’s financial statements for the period ending December 31, 2013.

MOTION
Move to approve the recommendation and the attached motion to treat the subsequent year’s budget of the Street Improvement, Sidewalk Improvement, and Storm Water Management departments of the General fund as committed funds on the City’s audited financial statements.

I CONCUR: 

PETER E. AUGER, CITY MANAGER
CITY OF AUBURN HILLS
RESOLUTION

Resolution to Approve Commitment of Fund Balances
in Accordance with GASB Statement 54

At a regular meeting of the City Council of the City of Auburn Hills, Oakland County, Michigan, held in the Council Chambers at 1827 N. Squirrel Road, Auburn Hills MI 48326 at 7:00 p.m., on the 16th day of June, 2014.

The following resolution was offered by Council Member and supported by Council Member:

WHEREAS, the Governmental Accounting Standards Board (GASB) has issued Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, which redefines fund types and changes the terminology used for fund balance reporting on balance sheets of Governmental Funds, AND;

WHEREAS, the City Council of the City of Auburn Hills has reviewed the new terminology, AND;

WHEREAS the City Council of the City of Auburn Hills recommends that the following funds, whose revenues are primarily received as transfers from the General Fund, shall have their subsequent year’s budget amount reported as being committed for the purpose noted:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>2014 Budget</th>
<th>Committed Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Improvement</td>
<td>$ 773,600</td>
<td>Major capital road projects</td>
</tr>
<tr>
<td>Sidewalk Improvement</td>
<td>$ 554,000</td>
<td>Capital and maintenance sidewalk projects</td>
</tr>
<tr>
<td>Storm Water Management</td>
<td>$1,223,563</td>
<td>Principal and interest payments and capital and maintenance storm water projects</td>
</tr>
<tr>
<td>Total Committed Funds</td>
<td>$2,551,163</td>
<td></td>
</tr>
</tbody>
</table>

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Auburn Hills accepts the aforementioned recommendation;

AYES: 
NAYS: 
ABSENT: 
ABSTENTIONS: 

RESOLUTION

STATE OF MICHIGAN)  
)SS
COUNTY OF OAKLAND)  
I, the undersigned, the duly qualified and appointed City Clerk of the City of Auburn Hills, Oakland County, Michigan do hereby certify that the foregoing is a true and complete copy of a resolution adopted at a regular meeting of the City Council held on the 16th day of June, 2014, the original of which is on file in my office.

IN WITNESS WHEREOF, I have hereunto affixed my official signature on this 17th day of June, 2014.

Terri Kowal, City Clerk
To: Mayor and City Council
From: Peter E. Auger, City Manager; Terri Kowal, City Clerk
Submitted: June 12, 2014
Subject: Motion – Approving 2014 Used Car Dealers Licenses / Recycled Bugs-Parts Place, Inc.

INTRODUCTION AND HISTORY
Recycled Bugs/Parts Place, Inc. is in compliance with Article IV of Chapter 22 of the Auburn Hills Code of Ordinances. Inspections have been completed, as stated in the attached memo from Code Enforcement Officer Darren Darge dated June 4, 2014.

Upon an earlier inspection, it looked as though Recycled Bugs/Parts Place was no longer doing business in Auburn Hills. Owner John Finn explained approximately 2/3 of his business has moved to another location. He is still selling parts and does sell a used car from time to time. Mr. Finn would like to keep his license through the City. The building is for lease and/or sale – so the length of time he will be there is undetermined at this time.

STAFF RECOMMENDATION
It is recommended that Used Car Lot Licenses be approved for Recycled Bugs/Parts Place, Inc.

MOTION
Move to approve renewal of Used Car Lot Licenses for the 2014/2015 licensing period for Recycled Bugs/Parts Place, Inc.

I CONCUR: 

PETER E. AUGER, CITY MANAGER
To: Mayor and City Council

From: Peter E. Auger, City Manager; Don Grice, Deputy DPW, Quality of Life Services

Submitted: June 12, 2014

Subject: LED Street Light Conversion Program

INTRODUCTION AND HISTORY

At the April 21, 2014, Council Meeting, the DPW highlighted a zero up-front cost LED street light replacement program offered by the Energy Reduction Coalition (ERC). The ERC is a Michigan non-profit corporation whose mission is to facilitate the rapid adoption of energy efficient technologies to reduce energy consumption and the burden to Michigan’s electrical infrastructure, reduce carbon emissions and their effect on air quality and the environment, and to save users money. The ERC has developed a Lighting Conversion Program (LCP) that enables municipalities and other organizations to immediately convert their lighting to energy-efficient LEDs and permanently reduce their ongoing lighting expenses, while incurring no up-front costs, no risk and no long-term commitments (agreement attached).

The ERC is not just a facilitator of LED conversions. They have assembled a group of coalition partners, which includes construction and electrical engineers, lighting designers, product engineers, product specialists, and others who have significant experience in the LED industry. The ERC uses these experts to research, test, and in some cases, they require manufacturers to modify existing LED technology to bring their clients the best possible product, including a 15 year product warranty.

The ERC LCP is designed with the objectives of making the conversion process as simple as possible, while optimizing the benefits of a conversion for everyone involved. From a lighting user’s perspective, the LCP offers an immediate cost reduction of at least 20%, increasing to at least 60% over the life of the program (proposed payment schedule attached). The ERC will bear the entire cost of the conversion process, including: (i) the cost of audits and assessments during the pre-conversion phase, (ii) the cost of lights, fixtures and installation (iii) and the ongoing expenses of maintaining the lighting system over the life of the program.

The ERC LCP provides significant freedom to lighting users by allowing them to take financially sound, cost-saving action right now, while still granting them the option to terminate the agreement quickly and without penalty if not completely satisfied. In the event a lighting user does want to opt out of the program, they can either return the product or choose to purchase the product from the ERC at a prorated cost.

The proposed Auburn Hills project will include the conversion of 961 streetlights. The ERC conversion will include:

- Field Assessment to identify location, type, pole heights, and photometric measurements to determine the proper replacements.
- Contracted Installation of all replacement fixtures.
• GPS Data Gathering to identify the type and location of each pole.
• Maintenance and associated costs of all fixtures for the deration of the contract.
• Guaranteed 20% savings in the first year with 1.08% multiplier per year.

STAFF RECOMMENDATION

A second option considered by DPW staff is a full City funded conversion. Preliminary estimates suggest that a conversion of the aforementioned street lights would cost approximately $1,000,000. Once installed, it is projected that the new LEDs would produce 60% in energy savings and a 98% savings in maintenance costs. This combination of savings is projected to provide a six year return on investment making it an attractive option. However, based on the current schedule of high priority capital projects and decreasing fund balances in the General Fund, as well as, TIFA – A & D (where the vast majority of these street lights are located) we do not recommend this option at this time. With that being said, we would recommend moving forward with the ERC agreement with the option to exercise an early buyout of the program. With the buyout option, the City would receive the benefits associated with the program including, improved lighting system, rapid implementation, extended warranty, lighting survey and in turn be the sole recipient of the energy and maintenance savings.

MOTION

Move to approve the Energy Reduction Coalition Lighting Conversion Program Agreement, with the option to exercise the early buyout provision in the agreement should project funding become available from the City and/or TIFA.

I CONCUR: ____________________________

PETER E. AUGER, CITY MANAGER
## Estimated ERC Payment

### Current Costs of Lighting:

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<th>Maintenance</th>
<th>Lamp Supply and Disposal</th>
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### Energy

- Grade 5 Electrician: $13,138
- Grade 4 Electrician: $12,000
- Lift Truck: $11,530
- Van w/A Arrow Board: $8,179
- Lamp supply and disposal: $15,000

### Total Non-converted / Current Cost of Lighting

$234,350

### Lighting Cost Reduction Rate

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### Reduction in cost of lighting to Auburn Hills

$46,870

### Annual guaranteed future cost of lighting

$187,480

### Cost of energy after conversion

$69,801

### Maintenance - ERC funds all future maint. costs

- $0

### Disposal - ERC funds all future disposal costs

- $0

### Payment to the ERC

$117,679

### Annual LCRR Multiplier

1.0816

### Total Installed Cost of Fixtures

$1,067,298.00

### Buy out price of fixtures - End of the year

$996,145
Energy Reduction Coalition
Lighting Conversion Program Application

This Application is made by ______________________________ a ___________________________ ("Participant") to Energy Reduction Coalition ("ERC"), a Michigan non-profit corporation. Together, ERC and Participant are the “Parties” to this agreement and either one of them a “Party” to it. The “Effective Date” of this agreement is _________________________, 20______.

Introduction
Energy waste creates economic vulnerability for individual business and government operations, as well as for our nation as a whole. The ERC tries to reduce energy waste by facilitating and accelerating the conversion of inefficient and non-durable lighting to the more efficient and durable lighting currently available. ERC Lighting Conversion Program ("LCP") is simple, requires no investment of capital or personnel by Participant, and provides for immediate and long-term reduction in lighting costs.

Acronyms used in this document:
• ERC: Energy Reduction Coalition
• LCP: Lighting Conversion Program
• ACH: Automated Clearing House
• IES: Illuminating Engineering Society
• DLC: Design Lights Consortium
• UCC: Uniform Commercial Code
• LCRR: Lighting Cost Reduction Rate
• RLC: Reduction in Lighting Cost
• NCMLE: Non-converted Cost of Maintenance Labor and Equipment
• PCMLE: Post-conversion Cost of Maintenance Labor and Equipment
• FP: Final Plan (after physical work)
• SP: Standard Plan (ERC-proposed)
• PP: Preliminary Plan (before physical work)
• MP: Modified Plan (Participant-proposed)

LCP Terms
ERC and Participant agree the terms of this agreement provide each of them with valuable benefits and each agree to adhere to the following terms and conditions. This agreement is divided into four parts:

I. LCP Stages
   Stage 1: Application
   Stage 2: Pre-Conversion Assessment and Sample Installation
   Stage 3: Preliminary Plan and Product Selection
   Stage 4: Product Procurement and Installation
   Stage 5: Participant Certification
   Stage 6: Presentation of Final Plan
   Stage 7: LCP Ongoing Relationship
   Stage 8: Termination

II. General Contract Terms

III. Acknowledgement and Execution

IV. Application Data
I. LCP Stages

**Stage 1: Application**

1. As further defined in Stages 2-8 below, Participant requests ERC to:
   a. Use whatever reasonable information Participant has available regarding the lighting system,
   b. Pay for additional research as needed to identify cost-saving lighting conversion opportunities,
   c. Choose appropriate and efficient new lighting product,
   d. Purchase and install samples of appropriate new lighting product,
   e. Choose appropriate and efficient installation contractors,
   f. Create a **Standard Plan** ("SP") delineating project costs and benefits of conversion with the products and contractors identified,
   g. Allow Participant to specify alternative lighting product or installation contractors,
   h. Create a **Modified Plan** ("MP") using Participant-specified alternative lighting product or installation contractors, if they are not included in the SP,
   i. Proceed to implement the SP unless specifically requested by Participant to implement the MP,
   j. Pay for all cost of the conversion plan (the "Plan") chosen by Participant,
   k. Require no commitment from Participant to use or to pay for the new products,
   l. Charge Participant over time for actual use of the converted lighting system with charges low enough to guarantee initial and increasing savings (quantified further below) to Participant, and
   m. Allow Participant to continue to participate in the LCP for as long as desired and in good standing or terminate at any time without penalties or fees, subject to one-year Review and Notice provisions, and subject to ERC’s right to terminate after five years.

2. As further defined in Stages 2-8, ERC agrees to the requests of Participant as listed above.

3. ERC and its associates have the expertise to handle all aspects of an LCP.

4. Although Participant is not required to do anything to implement an LCP, ERC wants and prefers the help and cooperation of Participant.

5. Participant agrees to provide in Part IV - Application Data, to ERC, all available information Participant has regarding the lighting system and any preferences for new replacement product.

6. ERC agrees to work with Participant’s consultants, engineers, and other team members, as long as they efficiently contribute to the conversion process, as determined by ERC.

7. The Parties agree Product installed shall meet industry photometric and thermal quality standards issued by the Illuminating Engineering Society, Design Lights Consortium, Energy Star, or similar authority, and Installation contractors will be properly licensed and suitably experienced.

**Stage 2: Pre-Conversion Assessment and Sample Installation**

8. Participant will cooperate with ERC and its associates in the process of assessing all data researched by ERC, or supplied by Participant, or required by ERC to determine the costs and benefits of lighting conversion, including providing access to its facilities and applying for incentives, rebates or other benefits from third parties such as power providers and tax authorities.

9. ERC will pay for all pre-conversion and net conversion costs of an LCP.
   a. Pre-conversion costs of an LCP typically include:
      i. The cost of a lighting audit needed for the LCP, which might include identifying:
         1. The number, location, type, wattage, hours of use and Useful Life of existing fixtures;
            The “**Useful Life**” of any product will be determined by ERC after consideration of all available information regarding that product and its intended use in the context of Participant’s lighting system. ERC will consider information from the product producer, the Participant, national authorities, and results of testing, if any.
         2. Existing photometric and other lighting application needs of Participant
3. Current energy and utility data
4. Replacement maintenance data, including:
   - Cost of bulbs, lamps, tubes, and ballasts
   - Useful Life of existing bulbs, lamps, tubes, and ballasts
   - Labor, equipment and disposal costs
5. Existing condition of lighting infrastructure
   ii. Engineering analysis and design of a new lighting system
   iii. Research regarding incentives, rebates, and other third-party benefits
   iv. Purchase and installation of product samples
b. Conversion costs of an LCP typically include:
   i. Cost to acquire new product, including shipping, insurance, etc.
   ii. Cost to remove and dispose of existing lighting infrastructure
   iii. Cost to install new ERC Product
10. ERC will purchase and pay for the installation of samples of new products to be included in the proposed SP. Participant will pay all costs related to samples for an MP. If ERC implements an MP, ERC will reimburse the cost of Participant-purchased product samples and their installation.

Stage 3: Preliminary Plan and Plan Selection
11. For an SP, ERC guarantees Participant’s Non-converted Total Cost of Lighting (“NTCL”) for the measures converted will be reduced by a Lighting Cost Reduction Rate (“LCRR”) of at least 20% in the first month, rising at a constant annual rate to at least 60% over the Useful Life of ERC Products.
   a. LCRR and NTCL are defined in Addendum I – Calculation of ERC Payment.
   b. The LCRR is the percentage of the NTCL that is eliminated during a given month as a result of a Plan. For example, if the LCRR for the first year is 20%, and the NTCL for the first month would have been $1,000, the Reduction in Lighting Cost (“RLC”) will be 20% of $1,000, or $200. The Post-conversion Total Cost of Lighting (“PTCL”) for that month will be $1,000 – $200 = $800.
   c. Every year, the LCRR will rise by a constant rate. If the rise in the LCRR is 10%, and the eighth year’s LCRR is 50%, then the ninth-year LCRR will be 55%. If the NTCL for a given month in year nine is $1,000, the PTCL for that month will be $1,000 – $550 = $450.
   d. In the case above, if the cost of power for ERC Products is $250, and there are no other reimbursements due to Participant for the period, Participant will pay to ERC $450 – $250 = $200 for that month. ERC will reimburse Participant for any other lighting cost borne by Participant, which in most cases will be zero, because ERC will attempt to pay directly for any other lighting cost. For example, ERC will supply replacement product and where appropriate, will pay maintenance costs directly. So, if Participant had paid $75 for maintenance labor to replace defective ERC Product with ERC-supplied inventory, then Participant will reduce the $200 payment by $75 and pay the net amount of $125 to ERC for that month.
   e. Note that since Participant only pays based on the NTCL and the contractual LCRRs, net of all other costs, Participant is not at risk if ERC Product fails or malfunctions. ERC assumes 100% of the risk that ERC Product does not perform properly.
   f. Participant cannot end up paying more in an LCP than it would have paid without converting. LCRRs are fixed in the Plan and not lowered by a change in usage or by any other changes. For example, if hours of use decline by 9%, NTCL will decline by 9%, and the PTCL will decline by 9% as well, leaving a constant LCRR.
12. When requested to do so by a Participant, ERC will also offer an MP using Participant-supplied data and using products or contractors chosen by Participant.
a. For any MP, the LCRRs may be reduced, but not below zero, until any marginal increase in cost or reduction in conversion benefits compared to the SP, plus funding cost thereon of 1% per month, are offset by diminished lighting cost reductions.

b. For MPs, the Review Period (defined below) will not end until the changes have been offset.

13. Upon completing its analysis of the data provided for the first phase of a Plan, ERC shall provide Participant with, for the SP, and if needed, an MP, detailed “Projections” which include:
   a. Estimated LCRRs and corresponding RLC;
   b. Example calculation of payments to ERC;
   c. An estimate of third-party rebates and other benefits available for the project;
   d. Any donation or other grant applied to the project;

And a detailed “Plan”, which includes:
   e. A list of products to be removed and a list of products to be installed;
   f. Restatement of most of the data used by ERC;
   g. The cash cost of the products to be installed; and
   h. The cash cost of the product removal and installation process.

14. If an MP is also presented, Participant may notify ERC in writing within one week to use the MP in lieu of the SP, at which time the MP becomes the Plan, else the SP becomes the Plan.

15. Within one month of receipt of the Preliminary Plan (“PP”), Participant will obtain and provide to ERC a certificate of additional insured naming ERC as an additional named insured to its property and casualty insurance contract covering all sites where ERC Products are to be installed and for an amount at least equal to the retail value of ERC Products plus the costs of installation.

Stage 4: Product Procurement and Installation

16. ERC will purchase the lighting products required by the Plan (the “ERC Products”).

17. ERC will pay for the installation of ERC Products.
   a. ERC remains the owner of ERC Products after installation on Participant’s premises. Participant agrees that it will not, nor allow others to, damage or remove or uninstall ERC Products, including bulbs and lamps and fixtures, from the time ERC Products are installed until the Termination Date, except as needed to replace ERC Products with other ERC Products as provided under this agreement, or to return them to ERC by the Termination Date.
   b. ERC Products shall be the sole and exclusive property of ERC. Participant hereby acknowledges that ERC is the owner of ERC Products, and further acknowledges that except for the option to purchase contemplated in Provision 39 of this agreement, Participant shall acquire no ownership, title or other property rights in ERC Products by reason of this agreement. ERC is hereby authorized by Participant to cause any statement or instrument in respect of this agreement showing the interest of ERC in ERC Products, including Uniform Commercial Code Financing Statements, to be filed or recorded. Participant agrees to execute and deliver, within two business days of receipt from ERC, any statement or instrument requested by ERC for such purpose. Participant shall at its expense protect and defend ERC’s title against all persons or entities claiming against or through Participant, at all times keeping ERC Products free from any legal process or encumbrance whatsoever, including but not limited to, liens, attachments, levies and executions, and shall give ERC immediate written notice thereof and shall indemnify ERC from any loss caused thereby. ERC shall have the option, but not the obligation, to cause any such legal process or encumbrance to be released and discharged, and in the event such actions are taken by ERC, Participant shall reimburse ERC for any amounts expended, including reasonable attorney’s fees, within seven (7) days after receipt of an invoice thereof.
   c. ERC Products are and shall remain personal property even if installed or attached to real property, or embedded in, permanently resting on, or used as part of real property. If ERC
Products are installed on leased premises, Participant agrees to obtain, within five business days of receipt of the form supplied by ERC, a waiver of landlord’s / mortgagee’s lien. Participant represents that it has full right and lawful authority to enter into this agreement, and in so doing violated no existing agreement of Participant.

d. Participant hereby acknowledges that in the event any court of law, including, but not limited to the U.S. Bankruptcy Court, should determine that notwithstanding the parties’ intentions, this agreement should be re-characterized as a financing transaction, then, Participant does hereby grant to ERC a security interest in ERC Products to secure all obligations of Participant to ERC.

Stage 5: Participant Acknowledgement of Installation

18. When installation is complete for any phase of an LCP, ERC will deliver to Participant copies of an Acknowledgement of Satisfactory Installation executed by ERC. Participant agrees to execute and return to ERC one of these two copies within two business days.

Stage 6: Presentation of Final Plan for each phase of conversion

19. Upon completion of installation for any phase of the conversion process, ERC will present a Final Plan (“FP”) for that phase with fully-updated information identifying what was removed, what was installed, and the projected LCRRs and RLC to be enjoyed by Participant.
   a. An installed phase will be completed only upon return to ERC by Participant of an executed Acknowledgement of Satisfactory Installation.
   b. Participant is required to cooperate in any way needed to allow ERC to perfect its legal claims to ERC Product, for example, with UCC filings and landlord waivers where appropriate.

20. Prior to presenting an FP for any phase of a Project, ERC will present the PP for the next phase. This process will continue until all viable ERC-provided conversion measures are complete.
   a. When ERC originally analyzes Participant’s current lighting, it will categorize the lighting scenarios and prioritize those measures needed to convert those scenarios based on the overall benefit a conversion of each scenario will generate.
   b. ERC will then develop “phases”, periodically updated, and perform the conversion measures in those phases in order based on its prioritization until all viable phases are converted.

Stage 7: LCP Ongoing Relationship

21. The Parties agree that, when applying for rebates or other incentives, to the extent possible, ERC shall be named as the recipient of the incentive or rebate. In the event Participant receives a check for a rebate and/or other third-party benefits as a consequence of an LCP, Participant will endorse the rebate or benefit check to “Energy Reduction Coalition” and forward the endorsed check to ERC. If the rebate or other benefit is made available to Participant in a form other than a check, Participant agrees to pay with three business days to ERC an amount equivalent to the benefit so received, such that after accounting for the payment to ERC, Participant’s net benefit from the LCP, after accounting for tax, is identical to what it would have been if there had been no receipt of the non-check benefit and no related payment to ERC.

22. ERC grants Participant a license to use ERC Products for as long as Participant desires, including any replacements for the original ERC Products, under the terms of this agreement.

23. ERC will supply to Participant additional ERC Product to replace any original ERC Product that fails while this agreement is in force, and will replenish the on-site inventory as it is used. Participant agrees to provide suitable storage for the on-site inventory, which remains the property of ERC. ERC will notify Participant if ERC Product must be returned to ERC or to its associates for inspection and provide Participant with shipping instructions.
24. ERC or its associates will inspect the returned product to determine if the failure was due to workmanship or from ordinary use, or whether the failure was due to other factors not covered by ordinary warranties, such as abuse or neglect by Participant or related parties.

25. For any product returned which has failed due to manufacturing defects or as a result of normal use, Participant will receive a credit for any maintenance cost (as indicated in the FP) and shipping cost incurred by Participant associated with the replacement of the failed ERC Product.

26. For any product returned which has not failed due to manufacturing defect as a result of normal use, Participant will be charged current costs for the replacement product shipped to Participant.

27. ERC intends to directly pay for all third party costs incurred related to this agreement except that Participant will continue to directly pay its (now reduced) electricity bills. If Participant does incur any internal maintenance costs related to this agreement, Participant will receive a credit for any such maintenance costs incurred (as calculated in the FP).

28. As noted immediately above, Participant will continue to pay its electricity bills and will cooperate with ERC as necessary to provide ERC with access to a copy of each bill, whether that means allowing ERC electronic access to bills, arranging for duplicate bills, or copying bills separately.

29. As described in Addendum I, at the beginning of each of Participant’s fiscal years, ERC will calculate and communicate to Participant the fixed “ERC Payment” due to ERC each month in that year, and Participant will electronically pay to ERC the ERC Payment using pre-authorized ACH payments.

30. Implementation of any phase of an FP is complete on the first day following Participant’s execution and delivery of an Acknowledgement of Satisfactory Installation to ERC (“Commencement Date”).

31. For any installed phase of an LCP, the initial term of Participant’s obligation under this agreement (the “Review Period”) is 52 weeks, extended if needed to offset marginal changes for an MP by reduced LCRRs. This Review Period starts on the Commencement Date.

32. ERC Payments shall be calculated and made as follows:
   a. The “ERC Billing Period” is the calendar month, adjusted as follows for the first and final month of a Plan. The first ERC Billing Period begins on the date either Party delivers to the other Party an Acknowledgement of Satisfactory Installation, executed by the delivering Party, for that Plan. The final ERC Billing Period for a Plan ends on the Termination Date.
   b. The ERC Payment for any ERC Billing Period is the “Reduced Lighting Cost” minus the “Reimbursements” as defined in Addendum I, attached to and part of this agreement. The ERC Payment plus the Post-Conversion Cost of Energy attributable to the ERC products installed shall never exceed the Non-converted Total Cost of Lighting for the measures converted by the ERC.
   c. Participant agrees to notify ERC and provide updated data any time Participant knows of any change to the data provided for an LCP, starting with the data included in the PP for any phase.
   d. ERC Payment is due from Participant to ERC by ACH payment no later than the final business day of each ERC Billing Period after the Commencement Date. Interest shall be due on any ERC Payment not received by the date it is due at the rate of 0.10% (one-tenth of one percent) per day, compounded daily. If any ERC Payment is more than 10 days past due, an additional 1% of the amount due shall be added as a late payment penalty for each additional ten days past due that the payment is late.

Stage 8: Termination

33. The “Termination Date” for any installed phase of an LCP is the date upon which Participant has fulfilled its obligations under Provision 39.

34. The “Notice Period” is the period of time between the date the receiving Party receives a notice to terminate and the Termination Date, and is subject to certain minimum requirements. The Notice Period is intended to provide time for Participant to arrange for alternative lighting products and time for ERC to arrange for another participant to utilize the returned ERC Products.
35. Except as otherwise provided in the FP for any installed phase of an LCP, after the expiration of the Review Period, Participant may terminate that phase of the LCP and return ERC Product to ERC by providing written notice to ERC with a Notice Period of at least 52 weeks, or may purchase ERC Product at any time with a Notice Period of one day.

36. ERC may terminate any installed phase of an LCP by providing written notice to Participant any time after four years from the Commencement Date, with a Notice Period of at least 52 weeks.

37. If Participant is delinquent on payments to ERC for two or more months, ERC may terminate any installed phase of an LCP with a Notice Period of one month.

38. If Participant has reduced its paid hours of use of ERC Products for any installed phase of the LCP to less than 80% of the hours of use identified in the corresponding FP, ERC may terminate that installed phase of the LCP by providing written notice with Notice Period equal to 52 weeks multiplied by (1 – the percentage reduction in paid hours of use).

39. Upon any termination of any installed phase of an LCP, Participant may return ERC Product to ERC or purchase ERC Products by paying to ERC the “Deemed Value” of ERC Product.
   a. The Deemed Value of ERC Product is the sum of its original cost plus the cost of installation (as both are identified in the corresponding FP), multiplied by a percentage no less than 0% and no greater than 100%. This percentage is the number of hours of use already billed and paid for by Participant since the installation date of ERC Product divided by the Useful Life of ERC Product.
   b. At any time after the number of hours of use billed since installation equals the Useful Life of ERC Product, Participant may elect to take ownership of ERC Product at no cost to Participant by providing ERC with a signed, written notice of Participant’s intent to do so.
   c. If termination occurs as provided in Provision 36, ERC shall be responsible for the cost of de-installation and return of ERC Products; otherwise, Participant shall be responsible for the cost of de-installation and return of ERC Products, if needed.

40. At any time, ERC shall have the right to immediately terminate this agreement and transfer to Participant title to ERC Products without additional consideration (that is, a free gift).

41. In addition to and in clarification of the other provisions in Stage 8:
   a. Participant must continue to pay, to ERC, ERC Payments during any Notice Period.
   b. If Participant chooses to return ERC Products, these products shall be returned to the order of ERC in good operating condition excepting normal wear and tear for the number of hours paid for according to ERC Billing Period calculations as described below (“Useful Form”). Both parties agree that the determination of the condition of ERC Products shall be reasonably made. In the event the condition of ERC Products upon termination is worse than Useful Form, Participant agrees to purchase ERC Products pursuant to the terms described in Provision 39.
   c. Upon termination of this agreement in any manner, ERC Products must be purchased or returned to ERC in Useful Form no later than three days after the effective date of termination. If Participant or any Guarantor of this obligation fails to timely return ERC Products in Useful Form, then ERC may declare Participant and any Guarantor in default and shall be entitled to be reimbursed by Participant or any Guarantor for all actual costs of removal, transportation and re-stocking of ERC Products, as well as for the Deemed Value of any ERC Products not returned or recovered in Useful Form, determined pursuant to the terms described in Provision 39, which reimbursed amount is due within five days of the invoice date.

42. Participant agrees to cooperate with ERC in any way necessary for ERC to perfect ERC’s right to recover ERC Product. If Participant fails to return ERC Product upon termination of this agreement, as required by this agreement, Participant hereby grants ERC access to and the right to enter upon any premises of Participant for the purpose of removing any and all ERC Product without hindrance or delay of any kind. This grant of access does not relieve Participant of its obligation to return ERC Products to ERC as described in Provision 39 of this agreement.
II. General Contract Terms

43. **Entire Agreement.** This agreement constitutes the entire agreement between the Parties as to its subject matter. No oral or written agreements, practice or course of dealing between the Parties relating to the subject matter shall supersede this agreement.

44. **Amendment.** None of the terms and provisions of this agreement may be modified or amended in any way except by an instrument in writing executed by each Party.

45. **Agreement Interpretation.** The Parties represent that the agreement, and any addenda and/or attached exhibits, have been reviewed by each Party and each Party has had sufficient opportunity to obtain legal counsel on matters of contract interpretation and performance. Furthermore, the Parties agree that this agreement shall not be interpreted more harshly against one Party merely because that Party was the original drafter of the agreement.

46. **Section Headings.** The section headings of this agreement are for the convenience of the Parties only and in no way alter, modify, amend, limit or restrict contractual obligations of the Parties.

47. **Severability.** If any one or more of the provisions of this agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected, impaired or prejudiced, except to the extent doing so would offset the impact of removing the invalid, illegal, or unenforceable provisions.

48. **Force Majeure.** Neither Party shall be liable to the other for any loss of business or any other damages caused by an interruption of this agreement when the interruption is due to:
   a. war, rebellion, act of terror or insurrection;
   b. an act of God, severe weather, or natural disaster;
   c. fire – whether accidental or arson;
   d. government statute, order or regulation prohibiting the performance of this agreement;
   e. riots, strikes, labor stoppages, lockouts or labor disputes; utility outages; or
   f. Other causes beyond the reasonable control of ERC or Participant to the extent such occurrences are not caused by the actions of the Party seeking relief under this section.

49. **Assignment.** Neither Party may assign this agreement without prior written consent from the other Party, which shall not be unreasonably withheld, provided that ERC may assign this agreement to its lender or to parties related to ERC without the consent of Participant.

50. **Waiver.** Failure by either Party at any time to require performance by the other Party or to claim a breach of any provision of this agreement will not be construed as a waiver of any subsequent breach nor affect the validity and operation of this agreement, nor prejudice either Party with regard to any subsequent action.

51. **Applicable Law and Venue.** This agreement shall be governed by and enforced in accordance with the laws of the State of Michigan. Venue for any litigation or dispute resolution involving this agreement shall be in Oakland County, Michigan.

52. **Notices.** Any notice or other communication required or permitted shall be sufficiently given if in writing and delivered personally or sent by confirmed facsimile transmission, overnight courier (charges prepaid), registered mail or certified mail (postage prepaid with return receipt requested) addressed to the Party’s principal place of business (attention to the Treasurer) or to such other address of which the Parties may have given notice. Unless otherwise specified, notices shall be deemed received (i) on the date delivered, if delivered personally or by confirmed facsimile transmission; (ii) on the next business day after deposit with an overnight courier; or (iii) the day actually received, if sent by registered or certified mail.

53. **Material Default.** Any failure by Participant to meet its obligations under the terms of Stage 7 and Stage 8 of this agreement shall constitute a “Material Default” without notice.
54. **Remedies upon Default.** In addition to any other remedies available to ERC at law, in equity or under the terms of this agreement, including provisions for dispute resolution, ERC shall have at all times the right to perfect a UCC security interest in ERC Product. In addition, at any time when Participant is in default under this agreement or this agreement has been terminated, Participant hereby grants to ERC and agrees to facilitate ERC’s right to enter upon any premises of Participant for the purpose of removing any and all ERC Product without hindrance or delay of any kind.

55. **Dispute Resolution.** All disputes, controversies, or claims arising out of, in connection with, or relating to this agreement or any breach or alleged breach of the agreement, and any claim that either Party violated any state or federal statute or state common law doctrine or committed any tort in relation to this agreement shall, upon the request of any Party involved, be submitted to and settled by private arbitration using the appropriate rules then in effect (but not necessarily the services) of the American Arbitration Association (except any rules of the American Arbitration Association regarding the allocation of arbitration fees and expenses) in Oakland County, Michigan (or at any other place or under any other form of arbitration mutually acceptable to the Parties involved). The Parties specifically agree to arbitration with the other Party in a joint proceeding for all common issues and disputes before one mutually agreeable arbitrator. If the Parties are unable to select an arbitrator within sixty days of notice of intent to arbitrate, then the selection procedures (but not the services) of the American Arbitration Association shall be utilized by the Parties. This agreement to arbitrate may be specifically enforceable by any court of competent jurisdiction. The Parties specifically agree that the following related provisions shall also apply:

a. Notice of the demand for arbitration shall be delivered, in writing, to the other Party to this agreement within a reasonable time after the claim, dispute, or other matter in question arose or when the Party asserting the claim should reasonably have been aware of it, but in no event later than 62 weeks from the date of the accrual of the action or such shorter period of time required under applicable state or federal statutes of limitations.

b. The arbitrator shall have no power to add to, subtract from, or alter the terms of this agreement, and shall render a written decision setting forth findings and conclusions only about the claims or disputes at issue. The expenses of any arbitration shall be born equally by the Parties to such arbitration, and each Party shall pay for and bear the costs of its own experts, evidence, and counsel’s fees.

c. Any award by the arbitrator shall be final and conclusive upon the Parties and a judgment may be entered in the highest court for the forum, state or federal, having jurisdiction. After the entry of an arbitral award the non-prevailing Party shall have thirty days after it receives notice of the award to fully comply with the award. A judgment shall not be entered to enforce the award until the non-prevailing Party has had an opportunity to comply with the arbitral award according to this provision, and shall not be entered at any time if the non-prevailing Party fully complies with the award. The obligation to arbitrate all disputes between the Parties shall not preclude either Party from seeking injunctive relief pending the award of the arbitrator.

d. These terms of Dispute Resolution shall survive the termination of this agreement.

e. Notwithstanding the foregoing, Participant hereby agrees that in the event of Participant’s default under this agreement ERC is entitled to injunctive relief, including temporary restraining orders, for the purpose of preventing Participant or others from moving ERC Products from their original sites of installation and allowing ERC to enter Participant’s premises for the purpose of removing ERC Products without hindrance or delay of any kind.

56. **Employee Recruitment.** Participant and ERC each agree that their respective employees are critical to their operations. Participant and ERC therefore agree to refrain from engaging or hiring in any capacity employees of the other during the term of this agreement, and for a period of 52 weeks following termination of this agreement. Should either Party violate this paragraph, the violating
Party will pay to the other an amount equal to 50% of that employee’s annualized compensation. These terms of Employee Recruitment shall survive the termination of this agreement.

57. **Related Parties.** This agreement shall be binding upon ERC and Participant, as well as any parent company, subsidiary or affiliate of a Party to this agreement.

58. **Termination.** At the election of ERC, this agreement shall terminate immediately, with survival of Participant’s obligation to return ERC Products or purchase them, if Participant becomes insolvent or any bankruptcy, receivership or insolvency proceeding is instituted by or against Participant.

59. **Binding Authority.** The Parties acknowledge they are in good standing in the jurisdiction of their origin, and the officer or agent whose name is subscribed below has express authority to execute this agreement.

60. **Confidential and Proprietary Information.** Confidential and proprietary information (“Confidential Information”) shall include all information regarding the products, processes, concepts, ideas, improvements, know how, Participants, clients, employees, vendors, independent contractors, shareholders, officers, directors, services, suppliers, technology technical plans and proposals, business plans, financing information, accounting practices and information and all marketing plans and proposals belonging to ERC or to Participant. It shall also be deemed to include information relating to all trademarks, patents, copyrights or the like, whether issued or pending. Furthermore, each of the parties agrees that it will not modify reverse engineer, de-compile, create other work forms, or disassemble any software programs or files contained in the Confidential Information of the other party unless otherwise specified in writing by the disclosing party.

a. **Nondisclosure.** All confidential information disclosed by either Party to the other during the term of this agreement shall be kept confidential by the recipient, and shall not directly or indirectly be disclosed or disseminated in any manner whatsoever to a third party without the express written consent of ERC and Participant.

b. **Exceptions.** The following are not Confidential Information:

i. Information already known to ERC or Participant prior to the Effective Date;

ii. Information which ERC or Participant develops independently without the use of the other’s Confidential Information;

iii. Information that is or becomes available to the general public;

iv. Information that becomes known independently of any disclosure made by ERC to Participant or by Participant to ERC; and

v. Information that later becomes known from another independent source.

c. **Identification of Confidential Information.** ERC and Participant shall each identify all Confidential Information they wish to protect under the terms of this Agreement by marking the same as “confidential” prior to disseminating or distributing the same to the other. In the event the disclosure is verbal, the disclosing party shall confirm such disclosure in writing to the receiving party within fifteen days from the date of disclosure, and shall include a description of the information disclosed, the date of disclosure, and the basis for identifying the information as confidential. **Notwithstanding the foregoing:** any of Participant’s lighting costs, including historical data and projections; all principals, assumptions and design of ERC’s LCP, including software and models; the terms and pricing of the services and products provided by ERC to its clients or quoted to its prospects; all digital data; all financial information of either party; and all tax filings of either party are deemed Confidential Information without the obligation to notify the other party or label such information as “Confidential”.

d. **Use of Confidential Information.** ERC and Participant agree to use diligent and exhaustive efforts to protect each other’s Confidential Information, which shall be disclosed only to employees or agents of the receiving party on a need-to-know basis. Confidential information may be released by participant if required by statute, law and/or Court Order. Each such employee or
agent shall also be informed of this Agreement and bound by this Agreement. Participant acknowledges that Confidential Information may be disclosed to ERC’s lender and parties related to ERC for the purposes of calculation or administration of financial relationships between them.

e. **Return of Records.** All document and records produced by either Party and designated as Confidential shall remain the property of that Party. Immediately upon written request, the receiving party shall destroy all documents, records and data that have been identified as Confidential, including all written, photocopies or electronic media copies thereof to the owner.

61. **Non-competition.** ERC and Participant each agree that they will not use the Confidential Information disclosed to directly or indirectly perform services for a Customer of the other, regardless of the geographic location of such Customer. For purposes of this Agreement, the term “Customer” shall be defined as a client, counterparty or account in existence as of the Effective Date.

### III. Acknowledgement and Execution

IN WITNESS WHEREOF, the Parties have executed and delivered this agreement as of the listed dates.

**ERC**

_____________________________  Date: ________________________  
By: John W. Cunningham  Its:     Director

**Participant**

_____________________________  Date: ________________________  
By: __________________________ Its: __________________________

### IV. Application Data

Participant State Registration Number, if any: ___________________________________________
Participant Tax Identification Number:  ________________________________________________
Participant Contact Name:  _________________________________________________________
Participant Contact Mailing Address:  _________________________________________________
Participant Contact Email Address: ___________________________________________________
Participant Contact Phone Number: __________________________________________________

Mark the circles below if Participant is supplying (in a form of Participant’s choosing) with this Application, and wishes ERC to use:

- [ ] Existing fixture data  
- [ ] Existing usage data  
- [ ] Existing cost data  
- [ ] Other existing data

Mark the circles below if Participant is supplying (in a form of Participant’s choosing) with this Application information about new products, contractors, technical specifications, or other issues to be used by ERC for your project:

- [ ] New product data  
- [ ] Contractor data  
- [ ] Technical specifications  
- [ ] Other issues
ADDENDUM I – Calculation of ERC Payment

The “ERC Payment” for any ERC Billing Period shall equal the Reduced Lighting Cost during that ERC Billing Period minus Reimbursements during that ERC Billing Period; as such terms are defined below.

The “Reduced Lighting Cost” equals the Non-converted Total Cost of Lighting multiplied by (100% minus the Lighting Cost Reduction Rate), as these terms are defined below.

a. The “Non-converted Total Cost of Lighting” (“NTCL”) equals the total lighting cost Participant would have incurred in the relevant period had Participant not participated in the LCP, using actual lighting usage and kilowatt rates known at the end of the period. NTCL equals the sum of the four costs defined immediately below.

   i. “Non-converted Cost of Energy” (“NCE”) If the existing lighting system has its own supply of energy, such as a separate metered or unmetered flat rate billing program, ERC will use the prevailing cost as the NCE. If not, ERC will calculate the NCE based on all applicable data such as the number and type of lighting fixtures, their wattage, their hours of operation, and the billing rate for electricity as quoted by the power supplier.

   ii. “Non-converted Cost of Product Replacement” (“NCPR”) If Participant supplies complete and accurate information, ERC will use Participant’s current data regarding the product replacement cost of lamps and ballasts. If not, ERC will calculate the NCPR based on all applicable data such as the number and type of lighting fixtures, their Useful Life, their hours of operation, and the full cost of individual replacement products (as provided by Participant or national sources).

   iii. “Non-converted Cost of Product Disposal” (“NCPD”) If Participant supplies complete and accurate information, ERC will use Participant’s data regarding the cost to dispose lamps and ballasts. If not, ERC will calculate the NCPD based on all applicable data such as the number and type of lighting fixtures, their Useful Life, their hours of operation, and the average all-in cost per fixture to legally dispose of that fixture (as provided by Participant or local trash haulers).

   iv. “Non-converted Cost of Maintenance Labor and Equipment” (“NCMLE”) If Participant supplies complete and accurate information regarding the labor and equipment costs to maintain the lighting system, ERC will use that data for NCMLE. If not, ERC will calculate the NCMLE based on all applicable data such as the number and type of lighting fixtures, their Useful Life, their hours of operation, the typical amount of time and equipment it takes to maintain that type of fixture and the average all-in cost of maintenance labor and equipment per hour (as provided by Participant or national authorities).

b. The “Lighting Cost Reduction Rate” (“LCRR”) is that rate listed (for ERC Billing Period) in the most recently supplied FP.

“Reimbursements” equal the sum of the costs below, with ERC supplying free replacement products.

a. “Post-conversion Cost of Energy” (“PCE”) The definition of PCE is the same as “NCE”, except changing “Non-converted” to “Post-conversion”, “existing” to “converted”, and “NCE” to “PCE”.

b. “Post-conversion Cost of Disposal” (“PCD”) equals the total product disposal costs incurred by Participant for disposing of ERC Products.

c. “Post-conversion Cost of Shipping” (“PCS”) equals the total costs incurred by Participant for shipping ERC Products as required by ERC for covered replacement.

d. “Post-conversion Cost of Maintenance Labor and Equipment” (“PCMLE”) If ERC pays directly for the labor and equipment costs of the converted lighting system, PCMLE shall be zero. If Participant pays a contractor approved by ERC for maintenance of ERC Products, PCMLE shall be the amount paid by Participant to the approved contractor. If Participant uses its own maintenance labor and equipment, ERC will calculate the PCMLE as specifically agreed by Participant in writing.
To: Mayor and City Council  
From: Peter E. Auger, City Manager; Ronald J. Melchert, Department of Public Services Director; and Shawn Keenan, Assistant City Planner  
Submitted: June 10, 2014  
Subject: Resolution – Authorizing the City Manager to Request Reimbursement of Eligible Mosquito Control Activity Under Oakland County’s West Nile Virus Fund Program  

INTRODUCTION AND HISTORY  
Oakland County has approved the extension of the West Nile Virus Fund for Fiscal Year 2013 and will maintain the distribution formula and process for reimbursement of the past eight years. In order to obtain reimbursement from the West Nile Virus Fund, for eligible expenses, the City will need to submit the following information to the Oakland County Fiscal Services Division:

1. Project expenses reimbursement request which state the project purpose and scope, estimated or actual costs, including any support detail, to insure compliance with County approved policies for the West Nile Virus Fund and is otherwise authorized by law;
2. A resolution authorizing the reimbursement request adopted by the City Council; and
3. Documentation of actual cost borne by the City in conjunction with the project plan once work is complete

The enclosed West Nile Virus Report includes the City’s plan to combat the West Nile Virus as well as an estimated cost for the program. The City began its West Nile Virus Control Program, which was presented to and endorsed by MDEQ and Oakland County Health Department officials, in year 2003 and continued each year through year 2013. The City will again implement a plan to combat the West Nile Virus in year 2014.

The City has submitted item 1, listed above, to the County and received their approval. The City can submit to the County items 2 and 3 once work is complete.

STAFF RECOMMENDATION  
Therefore it would be appropriate for the City Council to move forward with the West Nile Virus Fund Expense Reimbursement Request process by adopting the following motion:

MOTION  
Move to adopt the following resolution to authorize and direct the City Manager, as agent for the City of Auburn Hills, to request reimbursement of eligible mosquito control activity under Oakland County’s West Nile Virus Fund Program.

I CONCUR:  
PETER E. AUGER, CITY MANAGER
At a regular meeting of the City Council of the City of Auburn Hills, Oakland County, Michigan, held in the Council Chambers at 1827 N. Squirrel Road, Auburn Hills MI 48326 at 7:00 p.m., on the 16th day of June, 2014

The following resolution was offered by Council Member and supported by Council Member:

WHEREAS, upon the recommendation of the Oakland County Executive, the Oakland County Board of Commissioners has established a West Nile Virus Fund Program to assist Oakland County cities, villages and townships in addressing mosquito control activities; and

WHEREAS, Oakland County’s West Nile Virus Fund Program authorizes Oakland County cities, villages and townships to apply for reimbursement of eligible expenses incurred in connection with personal mosquito protection measures/activity, mosquito habitat eradication, mosquito larviciding or focused adult mosquito insecticide spraying in designated community green areas; and

WHEREAS, the City of Auburn Hills, Oakland County, Michigan will incur expenses in connection with mosquito control activities believed to be eligible for reimbursement under Oakland County’s West Nile Virus Fund Program.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Auburn Hills City Council authorizes and directs the City Manager, as agent for the City of Auburn Hills, to request reimbursement of eligible mosquito control activity under Oakland County’s West Nile Virus Fund Program.

AYES:
NAYS:
ABSENT:
ABSTENTIONS:

RESOLUTION

I, the undersigned, the duly appointed City Clerk for the City of Auburn Hills, Oakland County, Michigan do hereby certify that the foregoing is a true and complete copy of a resolution adopted at a regular meeting of the Auburn Hills City Council held on the 16th day of June 2014.

IN WITNESS WHEREOF, I have hereunto affixed my official signature on this day of June, 2014.

Terri Kowal, City Clerk
West Nile Virus
Prepared by the City of Auburn Hills
Community Development and Department of Public Services

Background
West Nile is a mosquito-borne virus that can cause mild flu-like symptoms, and in a few cases, results in encephalitis (inflammation of the brain) or meningitis (inflammation of the lining of the brain and spinal cord). It first appeared in the U.S. in 1999 in New York City, and is spread to humans by the bite of an infected mosquito. A mosquito becomes infected by biting a bird that carries the virus. The Culex pipiens species of mosquito, which prefers to feed on birds, is believed to carry the virus in Oakland County.

In the year 2002 there were 644 confirmed human cases of WNV with 51 deaths reported throughout the state. That same year in Oakland County, there were 214 confirmed cases of people being infected and 20 deaths attributed to the disease.

In the year 2002 officials from the Centers for Disease Control and Prevention (CDC) had stated that WNV reached epidemic status in the state of Michigan. They also wanted to reassure the public that while this is cause for concern, it is not a cause for panic. They stress that individuals can protect themselves from this disease. They have provided the following statistics regarding the likelihood of being bitten by an infected mosquito, and then whether or not someone will contract one of the two forms of the disease.

- Of all mosquito bites, only one in one hundred will be from an infected mosquito.
- Of all mosquito bites, only one in 500 will be a bite from an infected mosquito and will then result in a mild illness with “flu-like” symptoms.
- Of all mosquito bites, only one in 15,000 will be a bite from an infected mosquito and will then result in someone contracting the serious form of the disease.

The CDC is recommending that the public follow the three “Rs” for tackling the WNV problem:

Repel—wear long-sleeved shirts and long pants, use insect repellent with deet, and avoid the outdoors during peak mosquito activity hours (i.e. dusk and dawn). See attached information on proper use of deet repellants.

Reduce—the mosquito population by eliminating stagnant standing water such as in old tarps, old buckets, neglected bird baths, etc. Attached is a poster regarding eliminating breeding areas in and around your home.

Report—dead birds to the Michigan Department of Community Health Emerging Diseases. Reporting forms can be found at the following MDCH website www.michigan.gov/emergingdiseases.

Even though there is no evidence to support that the disease can be spread from dead birds, they should never be handled with bare hands. Use disposable gloves to put the dead bird in a double plastic bag. If gloves are not available, turn a plastic shopping bag inside-out and scoop up the bird with the bag. If the dead bird has been reported and will not be tested, then place the bagged carcass in an outdoor garbage can for disposal. If the dead bird will be tested, you will be instructed to transport the bird to an appropriate local agency, where it can be packaged appropriately and submitted for testing.
There has been concern over the effect of WNV on pets. In general, the disease does not affect most household pets, including cats and dogs; however pet birds are just as apt to contract the illness as their wild counterparts. Studies in New York have shown that up to 11% of dogs tested showed exposure to the virus, but none showed signs of illness, and WNV is not passed to other animals from cats or dogs. Horses are perhaps a bit more susceptible than humans, but a vaccine has been approved for use on horses, and it appears to be effective, although no formal studies on this have been published yet.

The National Institutes for Health (NIH) are in charge of disease prevention, treatment, diagnostics, and basic research. They are working on a vaccine for humans, and they do have some promising research. Officials have stated that if all goes well, a vaccine is expected to be available in the next few years. The NIH is optimistic that one will be developed, but they are not able to confirm for certain that this will be the case.

City staff has researched the role that mosquito control has in the prevention of WNV. In general, spraying for adult mosquitoes is the least preferred method. The success of spraying programs is questionable at best, and does not address the mobility factor of the adults. If all areas are not sprayed, and all communities are not spraying, then there is even less of a chance of significantly reducing the adult mosquito population.

**2003 through 2013 WNV Information**

The great efforts made in 2003, by the State, County, local municipalities, businesses, and residents, to reduce the number human cases of WNV were continued in each year through 2013. This all out effort resulted in a substantial reduction the number of humans contracting the WNV, throughout the State of Michigan.

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</tr>
</thead>
<tbody>
<tr>
<td>Oak. Co.</td>
<td>214</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>2</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>Michigan</td>
<td>644</td>
<td>19</td>
<td>16</td>
<td>62</td>
<td>55</td>
<td>16</td>
<td>17</td>
<td>0</td>
<td>29</td>
<td>34</td>
<td>249</td>
<td>36</td>
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<tr>
<td>U.S.</td>
<td>4,156</td>
<td>9,862</td>
<td>2,539</td>
<td>2,949</td>
<td>4,256</td>
<td>3,598</td>
<td>1,338</td>
<td>663</td>
<td>1,021</td>
<td>690</td>
<td>5,387</td>
<td>2,469</td>
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<tr>
<td>Oak. Co.</td>
<td>20</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Michigan</td>
<td>51</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>U.S.</td>
<td>284</td>
<td>264</td>
<td>100</td>
<td>116</td>
<td>165</td>
<td>121</td>
<td>43</td>
<td>30</td>
<td>57</td>
<td>43</td>
<td>243</td>
<td>119</td>
</tr>
</tbody>
</table>

**2014 WNV Control Program**

As part of a mosquito control plan for this season, the following information has been compiled:

By far the most effective management program involves a combination of education regarding how to avoid being bitten, eliminating breeding sites, and controlling the larval mosquitoes. The breed *Culex pipiens*, mentioned earlier, prefers stagnant water such as that found in catch basins and other nutrient-rich, even polluted, standing pools of water. Please note that streams and healthy ponds and wetlands do not fall into this category. The mosquito control industry has developed products that are safe for handling, are non-toxic to humans and most other animals, and specifically target
mosquito larvae. Many are even available in pre-packaged amounts that are designed specifically for catch basins. A “certified applicator” is not needed to use these pre-mixed products.

First, the City would educate citizens and staff on bite avoidance, and how to eliminate breeding areas on their property through cable PSAs, newsletters, and web site information.

Second, the City would set up an inspection program to determine the most effective time to start treating catch basins. The inspection program will be conducted in-house.

Third, the City would treat all catch basins with larvicides. The estimated material cost for the initial catch basin larvicide treatment is $11,175.50.

A breakdown of this cost estimate is attached. The County has indicated that the City will be eligible to receive a reimbursement in the amount of $3,427.13 to help implement step three of our plan.

Products that would be used for catch basin treatment are described below:

- Altosid—a growth hormone inhibitor that targets mosquitoes and black flies. It is available in briquettes that can easily be dropped into a catch basin through the grating and lasts for 150 days. Its shelf life is approximately 18 months to 2 years.

- Vectolex—bacteria that dissolves the gut of the larvae, it is a granular product that is also very specific to mosquitoes and black flies. This product kills larvae within 1-2 hours and needs to be reapplied every 21 days during the breeding season. It is available in packets to treat catch basins, and as a loose product that can be broadcast over areas of open water. This would be the product used for areas of nutrient-rich stagnant water. The shelf life for this product is also 18 months to 2 years.

It may be prudent to “spot spray” City parks prior to events that will be occurring during peak hours of mosquito activity, especially when participants are expected to fall into the categories of most susceptible to WNV. City staff would develop a standard operating procedure to address these instances.

Some of the issues involved in creating and maintaining an effective program concern outside agencies, such as the Oakland County Road Commission, subdivisions, school districts, and commercial sites that own catch basins in the City. City staff will be working with these groups in order to ensure an effective program. During the winter following the initial WNV control program, staff will analyze the program to determine its effectiveness and to map out future actions.

**Recommendation**

The City should implement the program outlined above to address the WNV problem. In addition to the treatment of City catch basins with Altosid, and other areas as necessary, the activities listed should be put into action starting with the mosquito season of 2014.

---

**Web Resources:**

Michigan Department of Agriculture - [www.michigan.gov/mda](http://www.michigan.gov/mda)
Centers for Disease Control and Prevention - [www.cdc.gov](http://www.cdc.gov)
National Institutes of Health - [www.nih.gov](http://www.nih.gov)
Oakland County Health Division - [www.oakgov.com/health](http://www.oakgov.com/health)
Based on currently available information, the target locations for the City’s mosquito control treatment would include catch basins. The attached cost estimate is based on a recommendation that the City use longer-lasting Altosid briquettes in the catch basins. These larvicide briquettes, with a 150-day duration, have a lower labor and equipment cost when compared to repeated treatments of 21-day duration Vectolex packets. However, the estimate includes the possibility of at least one follow-up treatment using the Vectolex packets that may be necessary, to cover the full spring, summer, and fall for most areas targeted for treatment, catch basins in particular.

Staff estimates that there are roughly 2,330 catch basins located in City right-of-ways and on City property, 25 located in the MDOT right-of-ways, 550 located in the Oakland County right-of-ways, and 700 along private roads within the Auburn Hills City limits. These figures are estimates, not based on inventory.

### COST ESTIMATE

#### Catch Basin Inspection and City Wide Monitoring

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor for onset of breeding activity</td>
<td>2014 Season</td>
<td>--</td>
<td>--</td>
<td>$0.00</td>
</tr>
<tr>
<td>(In-House)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$0.00</td>
</tr>
</tbody>
</table>

#### Initial Catch Basin Treatment

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Hills catch basin treatment with</td>
<td>Each</td>
<td>2,330</td>
<td>$3.10</td>
<td>$7,223.00</td>
</tr>
<tr>
<td>Altosid XR 150 day Briquettes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDOT catch basin treatment with Altosid</td>
<td>Each</td>
<td>25</td>
<td>$3.10</td>
<td>$77.50</td>
</tr>
<tr>
<td>XR 150 day Briquettes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RCOC catch basin treatment with Altosid</td>
<td>Each</td>
<td>550</td>
<td>$3.10</td>
<td>$1,705.00</td>
</tr>
<tr>
<td>XR 150 day Briquettes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Road catch basin treatment with</td>
<td>Each</td>
<td>700</td>
<td>$3.10</td>
<td>$2,170.00</td>
</tr>
<tr>
<td>Altosid XR 150 day Briquettes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3,605</td>
<td></td>
<td>$11,175.50</td>
</tr>
</tbody>
</table>

#### General Applications to City Parks & Golf Course When Warranted

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>ULV adulticide applications of registered</td>
<td>Parks &amp; Golf Course</td>
<td>2 app.</td>
<td>$675.00</td>
<td>$1,350.00</td>
</tr>
<tr>
<td>Biomist 3+15 or Anvil 2+2 via truck-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mounted and or ATV mounted spray unit to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>all city parks and golf course.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground backpack larvicide treatment of</td>
<td>Per acre</td>
<td>10 acres</td>
<td>$33.00</td>
<td>$330.00</td>
</tr>
<tr>
<td>breeding sites when warranted.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$1,680.00</td>
</tr>
</tbody>
</table>
### Secondary Catch Basin Treatment if Warranted

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Hills catch basin treatment with Vectolex 21 day packets</td>
<td>Each</td>
<td>2,330</td>
<td>$1.21</td>
<td>$2,819.30</td>
</tr>
<tr>
<td>MDOT catch basin treatment with Vectolex 21 day packets</td>
<td>Each</td>
<td>25</td>
<td>$1.21</td>
<td>$30.25</td>
</tr>
<tr>
<td>RCOC catch basin treatment with Vectolex 21 day packets</td>
<td>Each</td>
<td>550</td>
<td>$1.21</td>
<td>$665.50</td>
</tr>
<tr>
<td>Private catch basin treatment with Vectolex 21 day packets</td>
<td>Each</td>
<td>700</td>
<td>$1.21</td>
<td>$847.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3,605</td>
<td></td>
<td>$4,362.05</td>
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</table>

### 2014 COST ESTIMATE

<table>
<thead>
<tr>
<th>Item</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Costs</strong></td>
<td></td>
</tr>
<tr>
<td>Inspections (In House)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Initial Catch Basin Treatment (In-House)</td>
<td>$11,175.50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$11,175.50</td>
</tr>
<tr>
<td>County Assistance</td>
<td>-$3,427.13</td>
</tr>
<tr>
<td><strong>CITY TOTAL</strong></td>
<td>$7,748.37</td>
</tr>
</tbody>
</table>

| **Conditional Costs**                                  |            |
| General Applications to City Parks & Golf Course       | $1,680.00  |
| When Warranted (Professional Service)                  |            |
| Secondary Catch Basin Treatment if Warranted (In-House)| $4,362.05  |
| TOTAL                                                 | $6,042.05  |

*The City’s plan calls for the use of all existing Altosid XR 150 day Briquettes from year 2012 and 2013 before utilizing the Altosid XR 150 day Briquettes purchased in year 2014.*

Oakland County has committed funding to assist communities in the implementation of their own mosquito control program, to thwart the West Nile Virus. Funding will be distributed using the Environmental Infrastructure Fund formula…75% based on population of the community and 25% based on size (geographic) of the community. The County has indicated that the City will be entitled to receive a reimbursement in the amount of $3,427.13 to help implement our plan. The funds provided by the County will be used to purchase the Altosid XR 150 day Briquettes for the initial catch basin treatment.
INTRODUCTION AND HISTORY

Public Act 213 of 2007 requires local governments to prepare periodic investment reports for presentation to their governing body. The investment of the City’s working capital or surplus monies is governed by the City’s Investment Policy document which incorporates both state (Public Act 20 of 1943 as amended) and local statutes.

In September of 2009, the Investment Policy was amended to allow the City to contract with external investment firms to manage a portion of the City’s surplus operating funds. After establishing the appropriate custodial accounts with JPMorgan/Chase, $20.0 million was transferred to each of the unique custodial accounts to allow the two respective investment firms selected, Ambassador Capital and MBIA (since renamed to Cutwater Asset Management), to begin investing the City’s funds in late December.

In February of 2012 the City Council approved a staff recommendation to invest an additional $5.0 million with each manager. The additional fund transfers were made in March of 2012.

To provide a level of due diligence beyond the internal staff review, the City has engaged the services of Asset Strategies to perform quarterly reviews of the performance of the investment managers and to ensure the investment portfolios of both managers are in compliance with Public Act 20.

The attached summary of the investment earnings for the first four months of 2014 shows that the Cutwater has earned $128,858.51 while Ambassador has earned $35,428.54 as of April 30, 2014. In addition, the Conclusions and Recommendations related to the investment performance evaluation of Cutwater and Ambassador for the first quarter of 2014 as prepared by Asset Strategies is also attached.

STAFF RECOMMENDATION

The staff recommends the acceptance of the Cutwater and Ambassador Investment Performance reports.

MOTION

Move to accept the Investment Performance report for Cutwater and Ambassador for the year to date activity through April 30, 2014.

I CONCUR: ____________________________

PETER E. AUGER, CITY MANAGER
City of Auburn Hills  
Investment Report  
Fiscal Period Ending April 30, 2014

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$25,730,972.46</td>
<td>$25,830,711.63</td>
<td>$25,850,653.90</td>
<td>$25,793,574.75</td>
</tr>
<tr>
<td>Fair Market Value Gain/(Loss)</td>
<td>99,739.17</td>
<td>19,942.27</td>
<td>(57,079.15)</td>
<td>86,256.22</td>
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<tr>
<td>Cumulative Earnings Change YTD</td>
<td>99,739.17</td>
<td>119,681.44</td>
<td>62,602.29</td>
<td>128,858.51</td>
</tr>
<tr>
<td>2014 YTD Yield</td>
<td>0.38%</td>
<td>0.47%</td>
<td>0.24%</td>
<td>0.50%</td>
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<tr>
<td>Pro-rata YTD Total Year Projection</td>
<td>$1,196,870.04</td>
<td>$718,088.64</td>
<td>$250,406.16</td>
<td>$386,755.53</td>
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<tr>
<td>2014 Gross % Return Using YTD Projection</td>
<td>4.65%</td>
<td>2.79%</td>
<td>0.97%</td>
<td>1.50%</td>
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<table>
<thead>
<tr>
<th><strong>Since Inception 12-2009</strong></th>
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<tbody>
<tr>
<td>Monthly Gross Earnings</td>
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<tr>
<td>Cumulative Gross Return</td>
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<tr>
<td>Cumulative Gross % Return</td>
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<tbody>
<tr>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$25,476,784.33</td>
<td>$25,493,751.15</td>
<td>$25,502,916.64</td>
<td>$25,504,367.03</td>
</tr>
<tr>
<td>Fair Market Value Gain/(Loss)</td>
<td>14,966.82</td>
<td>9,165.49</td>
<td>1,450.39</td>
<td>9,845.84</td>
</tr>
<tr>
<td>Cumulative Earnings Change YTD</td>
<td>14,966.82</td>
<td>24,132.31</td>
<td>25,582.70</td>
<td>35,428.54</td>
</tr>
<tr>
<td>2014 YTD Yield</td>
<td>0.06%</td>
<td>0.09%</td>
<td>0.10%</td>
<td>0.14%</td>
</tr>
<tr>
<td>Pro-rata YTD Total Year Projection</td>
<td>$179,601.84</td>
<td>$144,793.86</td>
<td>$102,330.80</td>
<td>$106,285.62</td>
</tr>
<tr>
<td>2014 Gross % Return Using YTD Projection</td>
<td>0.70%</td>
<td>0.57%</td>
<td>0.40%</td>
<td>0.42%</td>
</tr>
</tbody>
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<table>
<thead>
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<th><strong>Since Inception 12-2009</strong></th>
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<tbody>
<tr>
<td>Monthly Gross Earnings</td>
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<td></td>
</tr>
<tr>
<td>Cumulative Gross Return</td>
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</tr>
<tr>
<td>Cumulative Gross % Return</td>
<td></td>
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</tr>
</tbody>
</table>

**Earnings Ambassador and Cutwater YTD** | $114,705.99 | $143,813.75 | $88,184.99 | $164,287.05 |

**Total Earnings Since Inception Dec 2009** | 1,324,462.78 | 1,353,570.54 | 1,297,941.78 | 1,374,043.84 |
CONCLUSIONS AND RECOMMENDATIONS
Investment Performance Evaluation, First Quarter 2014

1. Investment results for the $53.3 million portfolio managed by Ambassador, Cutwater, and the Treasurer's Office exceeded the 91-Day T-Bill benchmark due to strong income returns.

2. After 4.25 years under the active cash management strategy, results are nicely ahead of return and risk objectives.

3. While Cutwater's long-term result is better than Ambassador's, Ambassador has outperformed Cutwater the past year.

4. General investment guidelines and policies, as well as specific guidelines on safety and liquidity, are being followed.

5. The Fed Funds rate, a benchmark for liquid funds, is targeted between 0% and 0.25% through the remainder of 2014. Ambassador, Cutwater, and the Treasurer's Office are earning highly competitive returns, net-of-fees, in a challenging interest-rate environment.

FUNdamental Facts

1. The U.S. economy lost a total of 8.7 million jobs in 2008 and 2009. Since that time 8.2 million jobs have been recovered. At the current pace of job creation the economy should recoup the remaining jobs lost by the 2nd quarter. — Babson Capital

2. Corporations are returning cash to shareholders at a record pace. Share repurchases plus dividends paid reached $214.4 billion in the 4th quarter, the second highest total on record after $233.2 billion in 2007’s 4th quarter. — Howard Silverblatt, S&P Dow Jones Indices

3. Analyst consensus first-quarter earnings per share growth projections for S&P 500 companies have dropped to 1-2% from 6-7% at the beginning of the year.
   — Jack Ablin, CIO, BMO Private Bank

4. Health Care IPOs have outnumbered Technology IPOs 32 to 8 through the first quarter. The highest number of first quarter health care IPOs since 1996. — Barron's

5. Volatility returned in the first quarter. In the Russell 1000 alone, there were 22 stocks that fell more than 10% in March, but managed to post gains for the first quarter.
   — Bespoke Investment Group
To: Mayor and City Council
From: Peter E. Auger, City Manager;
Submitted: June 11, 2014
Subject: City Council Commission & Boards Ethics Policy

INTRODUCTION AND HISTORY
The city council has had many discussions on ethics of the city council and its appointed boards and commissions. There was agreement that all people who volunteer or run for local positions should know what is expected of them and what the process would be if there ever was a situation involving ethical issues.

At the minimum city council wanted to insure that they follow the same guidelines as the city’s employees. Our legal counsel massaged the existing policies for employees in so that the elected officials and appointed boards and commission could use the same guidelines.

We have two policies that are affected:

- Ethics Policy, Policy #80-06
- Gifts and Gratuities Policy, Policy #150-01

STAFF RECOMMENDATION
To approve the two policies.

MOTION
Move to approve City Council and City Boards and Commissions Ethics Policy, Policy #80-06 and Gifts and Gratuities Policy, Policy #150-01

I CONCUR: ________________________________

PETER E. AUGER, CITY MANAGER
To: Mayor and City Council
From: Peter E. Auger, City Manager, Mark Michling, Utilities Manager
Submitted: June 10, 2014
Subject: 2014 Bloomfield Orchards Subdivision, Water Main Replacement Bid Award and Construction Engineering Services

INTRODUCTION AND HISTORY

Budgeted in 2014 is $882,000.00 for water main replacement. The water main replacement identified for this project is the fifth phase of the 2003 Bloomfield Orchards Water Main Replacement Master Plan, with some modifications to meet the 2014 budgeted amount. The cast iron main will be pipe burst and replaced with new high-density polyethylene (HDPE) piping. In addition to the replacement water main, all fire hydrants and gate valves will be replaced as part of the project. Once existing service lines are connected to the new main, restoration will be completed. The project area is as follows (see included map):

- Provincetown from Jamestown to Sheffield
- Sheffield from South Boulevard to Crofthill
- Southampton from South Boulevard to Crofthill

The original project scope included street and sidewalk replacement. However, once the bids were opened staff determined that the prices for the concrete portion of the project were unusually high. Since the contract was bid in divisions we elected to re-bid the concrete portion of this project to realize a greater cost savings.

On June 5, 2014 the City Clerk’s office received two bids for the project. Bid tabulations are listed:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Bid Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pamar Enterprises</td>
<td>$794,663.42</td>
</tr>
<tr>
<td>Lawrence M. Clark Inc.</td>
<td>$1,041,725.00</td>
</tr>
</tbody>
</table>

Attached for review and reference is the bid tab, a letter of recommendation, and the scope of construction services provided by OHM and TEC. Engineering services for this project include construction staking, observation, engineering, administration, and geotechnical services. The services outlined above will be performed on a time-and-materials basis for the not-to-exceed amount of ($82,000.00).

STAFF RECOMMENDATION

Pamar Enterprises out of New Haven Michigan is the low bidder for this project. They have over 32 years of experience in underground construction and have worked with the City of Auburn Hills on past projects. Based on our findings, we recommend award of this contract to Pamar Enterprises. Additionally, after reviewing the scope of engineering services, the staff recommends awarding the time and materials contract to OHM Advisors and TEC. This is a budgeted project and adequate Water funds are available.

MOTION

Move to approve the award of the Bloomfield Orchards Water Main Replacement Project to Pamar Enterprises 58021 Gratiot, New Haven, Michigan 48048 in the amount of $794,663.42. Engineering services in the amount of $78,000.00 to OHM Advisors and material testing fees in the amount of $4,000.00 to TEC. Funding provided from account number (592-536-971.001-BMLORCHWTRMN).

I CONCUR:

PETER E. AUGER, CITY MANAGER
June 10, 2014

Peter Auger  
City Manager  
CITY OF AUBURN HILLS  
1827 N. Squirrel Road  
Auburn Hills, MI 48326

RE: 2014 Bloomfield Orchards Subdivision  
Concrete Road Maintenance and Water Main Replacement, Phase V  
Letter of Recommendation

Dear Mr. Auger:

On June 5, 2014 at 10:00 am, a total of two bids were received for the above referenced project. The two bidders are as follows:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Div A Base</th>
<th>Total Div A,B,C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pamar Enterprises, Inc.</td>
<td>$794,663.42</td>
<td>$1,320,703.92</td>
</tr>
<tr>
<td>Lawrence M. Clarke, Inc.</td>
<td>$1,041,725.00</td>
<td>$1,560,199.00</td>
</tr>
</tbody>
</table>

The project scope consists of Division A for the replacement of Cast Iron water mains with new 8” and 12” High-Density Polyethylene (HDPE) water main installed via pipe bursting method, along sections of Sheffield, Provincetown and Southampton. The bids also included a Division B for additional concrete road maintenance and a Division C for miscellaneous concrete sidewalk repairs.

Pamar Enterprises, Inc. out of New Haven, Michigan is the low bidder for this project. They have many years of experience in similar construction and have completed 3 of the 4 previous phases of water main replacement within the Bloomfield Orchards Subdivision. Based on our findings, we recommend award of this contract to them in the amount of $794,663.42, per the unit prices listed in Division A Base for the project. Based on discussions with City Staff, it was determined that the bid amounts for the additional concrete work in Division B (road repair) and Division C (sidewalk replacement) exceed the City's budget and would not be awarded as part of this project.

Digital files of this letter and a bid tabulation have been emailed to your office. If you have any questions or require additional information, please feel free to contact this office.

Sincerely,

OHM Advisors

[Signature]

Timothy J. Judici, P.E.

cc: Jeff Herczeg, Deputy Director of Infrastructure  
    Terri Kowal, City Clerk  
    Brian Olesky, Vice President, Pamar Enterprises Inc., 58021 Gratiot Ave. New Haven, MI 48048  
    File
June 10, 2014

City of Auburn Hills
1500 Brown Road
Auburn Hills, MI 48326

Attention: Mr. Ronald Melchert
Director of Public Services

Regarding: **2014 Bloomfield Orchards Water Main Replacement, Phase V**
Scope of Construction Services

Dear Mr. Melchert:

Outlined below is a Scope of Work for construction services to be provided by OHM Advisors for the above referenced project.

**PROJECT UNDERSTANDING**

It is our understanding that the City of Auburn Hills plans to move forward with the construction phase of the 2014 Bloomfield Orchards Subdivision Improvements project for which bids were received on Thursday, June 5, 2014. The proposed project consists of replacing existing 6”, 8” and 12” Cast Iron water mains with new 8” and 12” High-Density Polyethylene (HDPE) water main, along sections of Sheffield, Provincetown and Southampton. The proposed water main will be constructed via a combination of pipe bursting and directional-drill methods.

**SCOPE OF SERVICE**

**Construction Engineering / Observation**

Under this task the project team will observe the construction efforts on the project and assist with any necessary field changes to successfully complete the work. Specific work efforts include:

- Provide daily observation of work. Full-time inspection will be provided for all temporary water main construction, water service switch over, water main installation, gate valve and well installation, pavement removal and replacement, sidewalk replacement and restoration.
- Produce daily field reports documenting construction activities and pay item quantities.
- Prepare and provide the Contractor with a list of required submittals and review shop drawings, construction schedules, materials certifications, and other submittals.
- Address Contractor’s construction concerns and resolve conflicts with the executed contract specifications.
- Attend to Resident concerns throughout the project.
- Review Contractor’s progress on the project to ensure that the work is in compliance with the proposed schedule.
**Contract Administration**
Under this task, the project team will complete services necessary to administer the contract. Specific work efforts include:

- Coordination with the Contractor and City to execute the contract documents.
- Arrange and host one (1) public meeting with area residents within the influence of the project.
- Arrange and attend one (1) pre-construction meeting prior to the start of the project.
- Provide three (3) signed copies of the contract documents to the City, one (1) to the Clerk’s office and one (1) to the DPW, one (1) for OHM records.
- Prepare monthly construction pay estimates and process contract change orders (if required).
- Request and collect contractor’s declaration, contractor’s affidavit, waivers from major suppliers and subcontractors, release of surety, and release from other public agencies for which permits have been obtained under this contract.

**Construction Survey Layout**
This task will involve performing construction staking for the proposed work. Specific work efforts include:

- Establish on-site survey control to be utilized during the construction of the project.
- Provide required construction staking for gate valve and hydrant locations. We have included effort required to provide one complete set of off-set stakes for the contract items indicated.
- Collect as-built location of gate valve and hydrants and transfer coordinates to GIS data base.

**SCHEDULE**

Based on the Council meeting schedule, we anticipate that the project award would be approved at the June 16th Council meeting and construction on the project would begin in July. The project is expected to be completed by the end of September.

**COMPENSATION**

The services outlined above will be performed on a time-and-materials basis for the not-to-exceed amount of seventy-eight thousand dollars ($78,000.00). This amount is based on the assumptions listed below. The City will be invoiced for services on a monthly basis. The estimated budget breakdown is as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Engineering/Observation</td>
<td>$60,000</td>
</tr>
<tr>
<td>Contract Administration</td>
<td>$14,000</td>
</tr>
<tr>
<td>Construction Survey Layout</td>
<td>$4,000</td>
</tr>
<tr>
<td><strong>Construction Services Total</strong></td>
<td><strong>$78,000</strong></td>
</tr>
<tr>
<td>Materials Testing Services (TEC)</td>
<td>$4,000</td>
</tr>
</tbody>
</table>
FURTHER CLARIFICATIONS AND ASSUMPTIONS

The above-listed scope of services was prepared with the following assumptions.

- The City will be responsible for all permit fees.
- Materials testing will be provided by Testing Engineers and Consultants (TEC) under a separate contract and is not included in this scope of construction services. An estimated amount for this service has been provided above for your information.

Should you find this agreement acceptable, please execute both copies and return one copy to us for our files. We look forward to providing professional services on this project. If you have any questions, please contact us.

Sincerely,

OHM Advisors

[Signature]

Timothy J. Juidici, P.E.

cc: Jeff Herczeg, Deputy Director of Infrastructure
    Mark Michling, Manager of Public Utilities
    [File]

City of Auburn Hills
2014 Bloomfield Orchards Water Main Replacement, Phase V

Accepted By:

Printed Name:

Title:

Date:
## Bloomfield Orchards Water Main and Concrete Maintenance

**Tabulation for Bids Received on 6/5/14**

City of Auburn Hills, Oakland County, State of Michigan

OHM Job No.: 0120-14-0240

---

### Item 80: Sidewalk, Remove 127 Syd 8.00 $1,046.00 $1,046.00

---

### TOTAL DIVISION B ALT: $1,044,729.90

### TOTAL DIVISION B: $1,064,597.00

---

### TOTAL BASE BID AMOUNT: $1,520,792.92

### TOTAL ALTERNATE BID AMOUNT: $1,568,199.00

---

**PREPARED BY OHM** Page 1 of 1 5/6/14

---

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Estimated Quantity</th>
<th>Price Amount</th>
<th>Price Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilization, Misc., $25.00</td>
<td>1 LS</td>
<td>$25,000.00</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>Mobilization, Misc., $50.00</td>
<td>1 LS</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Traffic Maintenance and Control</td>
<td>1 LS</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Traffic Maintenance and Control</td>
<td>1 LS</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Traffic Maintenance and Control</td>
<td>1 LS</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
<tr>
<td>Audio Video Route Survey</td>
<td>1 LS</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>Temporary Bank of Mailboxes</td>
<td>1 LS</td>
<td>$50,000.00</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>Post Mailbox, Remove and Reset 8 Ea</td>
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<td>Curb, Rem 128 Ft</td>
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<tr>
<td>Sidewalk, Remove</td>
<td>500 Yd</td>
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<tr>
<td>Videotape Sanitary Leads 51 Ea</td>
<td>$100.00</td>
<td>$5,100.00</td>
<td>$5,100.00</td>
</tr>
<tr>
<td>Repair 6&quot; HDPE Sump, Tranch A 25 Ea</td>
<td>$8.00</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Repair 2&quot; HDPE Sump Lead 25 Ea</td>
<td>$8.00</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Repair 2&quot; HDPE Sump Lead 25 Ea</td>
<td>$8.00</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Detectable Warning, ADA 70 Ft</td>
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<td>$3,500.00</td>
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<tr>
<td>Pantil Board, ADA 1 EA</td>
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<td>$100.00</td>
<td>$100.00</td>
</tr>
<tr>
<td>Hydrant, Rem 6 Ea</td>
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<td>$1,200.00</td>
<td>$1,200.00</td>
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<tr>
<td>Temporary Water Supply System</td>
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<tr>
<td>Water Main, HDPE DR-11, 12 inch, Directional Drill 263 Ft</td>
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<td>$14,465.00</td>
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<tr>
<td>Pavt, Rem 5350 Syd</td>
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<td>$79,650.00</td>
</tr>
<tr>
<td>Water Main, HDPE DR-11, 8 inch, Pipe Bursting Method 3950 Ft</td>
<td>$92.00</td>
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<td>$363,400.00</td>
</tr>
<tr>
<td>Water Service, Type K Copper, 3/4 inch, Jumper 77 Ea</td>
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<td>$26,950.00</td>
<td>$26,950.00</td>
</tr>
<tr>
<td>Water Service, Type K Copper, 3/4 inch, Short 10 Ea</td>
<td>$550.00</td>
<td>$5,500.00</td>
<td>$5,500.00</td>
</tr>
<tr>
<td>Water Service, Type K Copper, 3/4 inch, Long 10 Ea</td>
<td>$650.00</td>
<td>$6,500.00</td>
<td>$6,500.00</td>
</tr>
<tr>
<td>Curb Stop and Box, 3/4 inch 36 Ea</td>
<td>$50.00</td>
<td>$1,800.00</td>
<td>$1,800.00</td>
</tr>
<tr>
<td>Water Main, HDPE DR-11, 12 inch, Pipe Bursting Method 2706 Ft</td>
<td>$50.00</td>
<td>$214,400.00</td>
<td>$214,400.00</td>
</tr>
<tr>
<td>Water Main, HDPE DR-11, 8 inch, Open Cut 1154 Ft</td>
<td>$90.00</td>
<td>$103,860.00</td>
<td>$103,860.00</td>
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<td>$1,800.00</td>
<td>$1,800.00</td>
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<td>$214,400.00</td>
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<tr>
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<td>$50.00</td>
<td>$1,800.00</td>
<td>$1,800.00</td>
</tr>
</tbody>
</table>
Updated Project Schedule

- Completed 2001
- Completed 2002
- Completed 2003
- Completed 2004
- 2014 Construction
- Future Project
To: Mayor and City Council  
From: Peter E. Auger, City Manager and Dan Brisson, Manager of Fleet and Roads.  
Submitted: June 11, 2014  
Subject: 2014 Asphalt Maintenance Program

INTRODUCTION AND HISTORY
The 2013 Asphalt Pavement Maintenance bids were opened in the City Clerk’s office on June 5, 2014. One bid was received and bid tabulation is as follows:
- Highway Maintenance and Construction Romulus, Michigan $ 310,043.00

This year’s asphalt maintenance program consists of:
- Local Streets: crack seal, structure pointing up and cape seals on Armada, Mattie Lu, Phillips (Pontiac Road to dead end), Boylston, Cherryland, Havens Lane, Oakmont, Garden Ct., Catalpa Ct., Hill, Simmons Ct., Stirling Ave, and Vinewood. Local Roads construction costs are $219,638.00.
- TIFA D: Asphalt repairs, curb and gutter repairs to Public Safety parking lots and Community Center parking lot. Construction pricing for this portion of the project came to $90,405.00. Engineering, construction management and materials testing costs will bring the total cost for TIFA D to $104,905.00, exceeding the $85,000.00 budget amount by $19,905.00.

Construction services proposed by OHM are based on time and material for the not-to-exceed amount of $35,000.00. Divisional cost breakdown is Local Roads $26,500.00, TIFA D $8,500.00. Materials testing services is estimated at $2,500.00 (TIFA D portion $500.00).

Cost summary is: Local Streets (203-453-935.000ASPHMAINT) $248,138.00 and TIFA D (253-737-931.200) $79,000.00.

STAFF RECOMMENDATION
The TIFA D portion of the project exceeds the budgeted amount by $19,905.00. The DPW recommended to the TIFA Board considering reducing the amount of parking lot work performed to stay within the budget. This reduction will reduce or eliminate work performed on the Community Center parking lot. Under this recommendation, the construction portion of the project will be reduced to $70,000.00 in TIFA D. The TIFA Board accepted this recommendation and approved the TIFA D portion of the project at their June 10th meeting.

Highway Maintenance and Construction is the only bidder for the project. They have over thirty years of experience in asphalt maintenance and have completed similar projects throughout southeast Michigan. Highway Maintenance has performed work in the City for several years with an excellent track record. Based on unit pricing, OHM and the DPW recommends Council approves Highway Maintenance and Construction for the 2014 Asphalt Maintenance Program.

A copy of the bid tabulation and memorandum outlining the OHM scope of construction services is attached for Council’s review.
MOTION
Move to approve the cost associated with the 2014 Asphalt Maintenance Program and award the bid to Highway Maintenance and Construction, PO Box 74411, Romulus, Michigan 48174 in the amount of $289,638.00 Further, to approve the OHM Scope of Construction Services where services will be performed on a time and materials basis for the not-to-exceed amount of $35,000.00, with materials testing services estimated at $2,500.00.

I CONCUR: ________________________________

PETER E. AUGER, CITY MANAGER
June 5, 2014

Ronald Melchert
Director of Public Services
City of Auburn Hills
1500 Brown Road
Auburn Hills, MI 48326

Regarding: 2014 Asphalt Maintenance
Scope of Construction Services

Dear Mr. Melchert:

Outlined below is a Scope of Work for construction services to be provided by OHM Advisors for the above referenced project.

PROJECT UNDERSTANDING

It is our understanding that the City of Auburn Hills plans to move forward with the construction phase of the 2014 Asphalt Maintenance Program for which bids were received on Thursday, June 5, 2014. The proposed project consists of:

- Capeseal to be placed on Garden Ct, Catalpa Ct, Hill Rd, Simmons Ct, Stirling Ave, and Vinewood St in subdivision off Joslyn Road. Capeseal also to be placed on Armada Dr, Phillips Rd, Mattie Lu Dr, all north of Pontiac Rd and on Cherryland St, Boylston St, Oakmont St and Havens Ln adjacent to Auburn Rd and S Grey Rd.
- Crack/seal on above streets, along with specific structure pointing up.
- TIFA D: HMA pavement removal & replacement and curb & gutter removal & replacement in City of Auburn Hills Campus in parking lots and drives connected to Seyburn Drive. There are several structures to be reset, covers replaced, or be reconstructed.

SCOPE OF WORK

Construction Engineering / Observation

Under this task the project team will observe the construction efforts on the project and assist with any necessary field changes to successfully complete the work. Specific work efforts include:

- Provide daily observation of work. Full-time inspection will be provided for all pavement maintenance, operations.
- Produce daily field reports documenting construction activities and pay item quantities.
- Prepare and provide the Contractor with a list of required submittals and review shop drawings, construction schedules, materials certifications, and other submittals.
- Address Contractor’s construction concerns and resolve conflicts with the executed contract specifications.
- Attend to Resident and Business Owner concerns throughout the project.
- Review contractor’s progress on the project to ensure that the work is in compliance with the proposed schedule.
Contract Administration

Under this task, the project team will complete services necessary to administer the contract. Specific work efforts include:

- Coordination with the Contractor and City to execute the contract documents.
- Arrange and attend one (1) pre-construction meeting prior to the start of the project.
- Provide two (2) signed copies of the contract documents to the City, one (1) to the Clerk’s office and one (1) to the DPS.
- Prepare monthly construction pay estimates and process contract change orders (if required).
- Request and collect contractor’s declaration, contractor’s affidavit, waivers from major suppliers and subcontractors, release of surety, and release from other public agencies for which permits have been obtained under this contract.

SCHEDULE

Based on the TIFA and Council meeting schedule, we anticipate that the project award would be approved at the June 16th Council meeting and construction on the project would begin in July. The project is expected to be completed in August of this year.

COMPENSATION

The services outlined above will be performed on a time-and-materials basis for the not-to-exceed amount of thirty-five thousand dollars ($35,000.00). This amount is based on the assumptions listed below. The City will be invoiced for services on a monthly basis. The estimated budget breakdown is as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Streets</td>
<td>$26,500</td>
</tr>
<tr>
<td>TIFA D</td>
<td>$8,500</td>
</tr>
<tr>
<td><strong>Construction Services Total</strong></td>
<td>$35,000</td>
</tr>
<tr>
<td>Materials Testing Services (Estimated)</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

FURTHER CLARIFICATIONS AND ASSUMPTIONS

The above-listed scope of services was prepared with the following assumptions.

- Materials testing services will be provided by Schleede Hampton Associates, Inc. under a separate contract and are not included in this scope of services. The estimated amount for this service is two thousand five hundred dollars ($2,500.00).
- The City will be responsible for all permit fees.
Should you find this agreement acceptable, please execute both copies and return one copy to us for our files. We look forward to providing professional services on this project. If you have any questions, please contact us.

Sincerely,
OHM Advisors

James C. Stevens, P.E.

cc: Dan Brisson, Manager of Facilities and Roads
File

City of Auburn Hills
2014 Asphalt Maintenance Program
Construction Services

Accepted By:_________________________________________________________
Printed Name:________________________________________________________
Title:_______________________________________________________________
Date:________________________________________________________________
June 5, 2014

Ron Melchert
Director of Public Works
City of Auburn Hills
1500 Brown Road
Auburn Hills, MI 48326

RE: 2014 Asphalt Maintenance Program
Letter of Recommendation

Dear Mr. Melchert:

On June 5, 2014 at 9:30 am, a total of one bid was received for the above referenced project. The bid is as follows:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway Maintenance and Construction Co.</td>
<td>$310,043.00</td>
</tr>
</tbody>
</table>

- The project scope consists of crack seal and capeseal on Garden Ct, Catalpa Ct, Hill Rd, Simmons Ct, Stirling Ave, and Vinewood St in the subdivision off Joslyn Road. Crack Seal and Capeseal also to be placed on Armada Dr, Phillips Rd, Mattie Lu Dr, all north of Pontiac Rd and on Cherryland St, Boylston St, Oakmont St and Havens Ln adjacent to Auburn Rd and S Grey Rd. In addition, pavement patching, curb repair, and drainage structure repair to be completed in the police parking lots and other areas within the community center parking lot within the City campus.

Please note that this year’s bid package included an alternate of microsurfacing as part of the capeseal in lieu of the standard slurry seal in an attempt to receive additional bidders. However, after discussing the project with another potential bidder, previously committed work prevented them from submitting a bid.

Highway Maintenance & Construction Co. out of Romulus, Michigan is the low bidder for this project. They have over 30 years of experience in pavement maintenance projects. They have completed similar projects throughout southeast Michigan, including much of the asphalt maintenance work in the City of Auburn Hills. Based on our findings, we recommend award of Division A, Local Streets, to Highway Maintenance in the amount of $219,638.00, per the unit prices bid for the project. The bid for Division B, TIFA D parking lot work in the amount of $90,405.00 is over the estimated cost by approximately $20,000.00. The City could reduce the scope of this work to fit within the allocated budget by reducing or eliminating the work within the community center parking lot. The project could also be delayed to a future year when the City could consider a larger scale project which would provide economies of scale and additional bidders, likely resulting in reduced unit pricing. If the City wants to move forward with Division B at this time, and award to Highway Maintenance could be made in the amount of $289,638.00.

Digital files of this letter, the map, and a bid tabulation have been emailed to your office. If you have any questions or require additional information, please feel free to contact this office.
Sincerely,
OHM Advisors

James C. Stevens, P.E.

cc: Ron Melchert, Director of Public Services
    Terri Kowal, City Clerk
    Jeff Herczeg, Director, Deputy Public Infrastructure
    Dan Brisson, Manager of Fleet and Roads
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CITY OF AUBURN HILLS
2014 ASPHALT PAVEMENT MAINTENANCE PROGRAM

Division Breakdown

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<td>Mattie Lu Drive</td>
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<td>Stirling Avenue</td>
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<td>Vineyard Street</td>
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PAVEMENT MAINTENANCE

LOCAL STREETS

TIFA D
DATE: JUNE 16, 2014  

To: Mayor and City Council

From: Peter E. Auger, City Manager; Ronald J. Melchert, Director of Public Works

Submitted: June 12, 2014

Subject: Resolution – Support University Drive/I-75 Diverging Diamond Interchange &
City of Auburn Hills/Oakland University Wayfinding Signage

INTRODUCTION AND HISTORY

The City of Auburn Hills, including the Tax Increment Finance Authority (TIFA), has partnered with the Michigan Department of Transportation (MDOT) and Oakland University (OU) to support funding contributions to construct a new University Drive/I-75 Diverging Diamond Interchange (DDI). Orchard, Hiltz, and McCliment (OHM) has been retained as the preliminary design engineer for the project to assist MDOT in establishing a Request for Proposal (RFP) for a Design/Build construction of the DDI. During the course of the preliminary design effort, OHM has produced a concept rendering of the DDI Bridge to include aesthetic and destination wayfinding value. The rendering drawing is included in the attached resolution as Exhibit A and Exhibit B.

The idea of incorporating the wayfinding signage design of “City of Auburn Hills” and “Oakland University”, and constructing into the bridge’s decorative railing, is to inform motorists that they have arrived at the I-75 exit to visit Auburn Hills and Oakland University. The concept was received by MDOT Project Management Staff as possible, but needed MDOT Officials approval to proceed. MDOT provide the necessary approval from Lansing to allow the interchange project to include “City of Auburn Hills” as home of “Oakland University” on the decorative railing of the bridge as shown in the rendering provided by OHM. This decision is contingent upon the City of Auburn Hills City Council providing MDOT with a resolution from the community supporting “Oakland University” being on the bridge structure. MDOT would like to avoid having issues with other entities wanting to be added later or objecting to Oakland University being on the University Drive Bridge. Therefore, MDOT has requested the City to provide the resolution as soon as possible.

STAFF RECOMMENDATION

It would be appropriate for the City Council to approve the attached resolution with the Exhibit A and Exhibit B concept rendering, to include the wayfinding signage of “City of Auburn Hills” and “Oakland University” as part of the design and construction of the University Drive/I-75 Diverging Diamond Interchange.

MOTION

Move to approve the RESOLUTION OF SUPPORT UNIVERSITY DRIVE/I-75 DIVERGING DIAMOND INTERCHANGE & CITY OF AUBURN HILLS/OAKLAND UNIVERSITY WAYFINDING SIGNAGE.

I CONCUR: [Signature]

PETER E. AUGER, CITY MANAGER
CITY OF AUBURN HILLS
RESOLUTION OF SUPPORT
UNIVERSITY DRIVE/I-75 DIVERGING DIAMOND INTERCHANGE
& CITY OF AUBURN HILLS/OAKLAND UNIVERSITY
WAYFINDING SIGNAGE

At a regular meeting of the City Council of the City of Auburn Hills, County of Oakland, State of Michigan, held in the Council Chambers at 1827 N. Squirrel Road, Auburn Hills, Michigan 48326 at 7:00 PM, on the 16th, day of June, 2014

The following resolution was offered by Councilperson ___________ and supported by Councilperson ____________:

WHEREAS, it is common knowledge among the Michigan Department of Transportation (MDOT), the City of Auburn Hills (CITY), Oakland University and the Local Business Community, that the University Drive bridge over I-75 is in a state of deterioration that will render it closed to traffic sometime in the calendar year of 2015; and

WHEREAS, it has become necessary to replace the existing University Drive Bridge for the health, safety and welfare of the community and traffic commuters; and

WHEREAS, the City and MDOT have been working together to design traffic control systems to efficiently manage traffic patterns and improve traffic flow in this area; and

WHEREAS, the City, MDOT, and Oakland University have been working together to establish the funding necessary to construct a new Diverging Diamond Interchange (DDI) to replace the existing University Drive Bridge over I-75; and

WHEREAS, the City acknowledges MDOT has committed to an $8,000,000 contribution with additional cost contributions coming from other State of Michigan funding sources; and

WHEREAS, the City acknowledges up to a $4,000,000 contribution from the City of Auburn Hills Tax Increment Finance Authority (TIFA) and a $750,000 contribution from Oakland University as SPONSORS to the DDI project; and

WHEREAS, the City acknowledges and supports the concept rendering produced by the preliminary project engineer, Orchard Hiltz, and McCliment (OHM), attached as Exhibit A and Exhibit B; and

WHEREAS, the City supports the wayfinding signage, CITY OF AUBURN HILLS and OAKLAND UNIVERSITY, which is designed into the bridge’s decorative railing, to establish wayfinding as a means of reaching a destination.
NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Auburn Hills that in an ongoing effort to efficiently and effectively manage traffic patterns in Auburn Hills, and in support of economic development and bringing new jobs to Michigan, and in support of the CITY OF AUBURN HILLS and OAKLAND UNIVERSITY wayfinding signage built into the decorative railing of the proposed DDI, the Auburn Hills City Council supports the construction of the UNIVERSITY DRIVE/I-75 DIVERGING DIAMOND INTERCHANGE described in this document.

AYES:
NAYS:
ABSENT:
ABSTENTIONS:

THE RESOLUTION WAS DECLARED ADOPTED.

STATE OF MICHIGAN )
) SS
COUNTY OF OAKLAND )

I, the undersigned, the duly qualified and acting City Clerk of the City of Auburn Hills, County of Oakland, State of Michigan, do hereby certified that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Auburn Hills at a regular meeting held on the ___ day of ______________, 2014, the original of which resolution is on file in my office.

IN WITNESS WHEREOF, I have hereunto set my official signature, this ___ day of ______________, 2014.

_______________________________
Terri Kowal, Clerk
City Clerk
City of Auburn Hills
EXHIBIT A

CONCEPT A - ELEVATIONS

I-75 Bridge Improvements | AUBURN HILLS, MICHIGAN

04.29.2014
Toyota offering test drives at Great Lakes Crossing Outlets

The Toyota Drive Center is at Great Lakes Crossing in Auburn Hills through Sunday, June 8, providing the public with the opportunity to test drive a variety of popular Toyota vehicles.

The Toyota Drive Center will be conducting its ride and drive program in the Great Lakes Crossing parking lot outside of the Bass Pro Shops at 4500 Baldwin Road in Auburn Hills.

Event hours are 10 a.m. to 6 p.m., Saturday and Sunday.

Featured vehicles include new versions of the 4Runner, Camry, Highlander, Tacoma and Tundra.

The experience is free to the public.

This year, Toyota Drive Center is partnering with three charities — American Red Cross, AMVETS and Future Farmers of America — in the third year of its successful “Drive for a Cause” campaign.

When individuals participate in a test drive at the Toyota Drive Center, each is presented with the opportunity to select one of these charities to receive a contribution from Toyota on that person’s behalf.


-Kathy Blake
Snyder promotes services for elderly

Michigan needs to better serve its aging population, Gov. Rick Snyder said during his stop in Rochester on Monday.

Gov. Snyder delivered his Special Message to the Legislature on Aging at the Older Persons' Commission in Rochester Monday morning and noted that services that promote living a healthy lifestyle, staying active, maintaining independence and achieving financial security are critical for a high quality of life.

The Republican governor has regularly used such special messages to lay out his agenda during his first four years, focusing on broad issues like transportation and public safety.

Up for election this year, his likely opponent in November is Democrat Mark Schauer.

Among the initiatives Snyder highlighted to promote independence among the state's growing senior population is a new partnership consisting of multiple state senior service and health agencies to help make the state's long-term care system more responsive.

Snyder also charged the Housing Development Authority to work with communities to create more age-friendly locations in Michigan, touting Oakland County communities such as Auburn Hills for being prime examples for catering to the needs of the senior population.

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*Staff writer Andrew Kidd*

**Online:** For video of Snyder's speech, visit OAKPRESS.COM.
GOLF

Oakland Grizzlies make cut at Michigan Open in Highland

By Shaun Kolly
For The Oakland Press

If Oakland University golfers Evan Bowser and Jake Johnson were intimidated being two of the youngest competitors at Tuesdays Michigan Open their play didn’t show it.

The PGA event, hosted at Highland’s Prestwick Village Golf Club, features several talented names such as six-time champion Michigan Open winner Scott Hebert, last year’s winner and Michigan Golf Hall of Famer Tom Werkmeister, and highly ranked University of Georgia player Joey Garber.

Bowser, who played with the latter group, started with two birdies on the front nine, and three on the back nine to finish the day at minus 8. With a two-day total of 143, Bowser is tied at 23 on the leaderboard.

“T’m happy today to shoot a good round,” said Bowser. “I really hit the ball well. Yesterday I shot 74. I only hit three fairways, but I worked on my game overnight and I really hit the ball well and made a few putts.”

This is Bowser’s second Michigan Open, having made the cut last year and finishing tied for 32 overall.

Having a little more experience under his belt than his teammate Johnson, Bowser didn’t feel the pressure this time around.

“I’ve played in a lot of tournaments. I just try to play my game and just not let anything get to me,” said Bowser.

Oakland University coach Russ Cunningham knew Bowser could handle the pressure.

“He’s won out here before in a collegiate event. He’s shot in the high sixties. If he just plays his game and stays patient he’ll do fine,” said Cunningham about Bowser.

Johnson, one of the youngest in the field, finished the second day shooting an even-par 72, matching his score from the first round. That puts Johnson in a tie for 34 on the overall leaderboard. Although he isn’t at the top, it is a solid showing for the 19-year-old entering his sophomore season with the Grizzlies.

“This is my first Michigan Open. I wasn’t allowed to play in high school because of the MSHA regulations. Qualifying for this meant a lot to me,” said Johnson.

“My goal was to make the cut and I played well.”

Johnson had a strong front nine to kick off the second round, hitting three birdies. After two bogeys on the back nine pushed him to even-par, Johnson fell out of the top thirty. He credits his putting for his success.

“I played really solidly on the front,” said Johnson. “I was making putts from everywhere, I made a fifty-footer and a twenty-footer and couple fifteen-footers, which really helped.”

After making the cut Johnson hopes his success will continue, as he hopes to climb higher on the leaderboard.

“I think playing like I did on the front nine will help me a lot, playing smart off the tee and hitting the green. My putting stroke is feeling really good. I think if I give myself chances I’ll make them,” said Johnson.

Cunningham isn’t surprised with Johnson’s finish after day two.

“Jake’s a very talented player. He’s probably one of the most athletic college golfers you’re going to find,” said Cunningham. “It’s not surprising for him to come out and play like this. He said he had a game plan and stuck to it. He wanted to make as many pars as he could and the birdies were a bonus.”

“Coach Cunningham has helped me a lot with my mental game. He helped me with course management the most. He taught me where to hit it off the tee,” said Johnson.

Johnson, a Lansing native, attended Lansing Catholic Central High School before enrolling at Oakland last fall.

“I loved the golf course and I wanted the opportunity to play division one golf and Oakland gave me that opportunity,” said Johnson.

Jake Thompson was the final Grizzly to compete at the Open. Thompson did not make the cut, shooting two-day total of 156.

“They need to get some quality competition and hopefully have some success so that their confidence is high and they’re ready to play come September,” said Cunningham.

Johnson hopes his success translates to a winning season for the Grizzlies come fall.

“I hope to win our conference, that’s the main goal. We didn’t have that great of a season this year, but next year we have a great incoming freshman class. We have some great players and our goal will be to win conferences,” said Johnson.

After the second round Willie Mack III and Ryan Brehm share the lead, each at minus 12 to finish the day. The open, presented by LaFontaine Cadillac, will continue Wednesday at 8:00 a.m. with the third round of play with the tournament wrapping up Thursday.
Alleged price fixing scheme results in indictment of former executive with ties to Auburn Hills

By Dave Phillips, The Oakland Press

Thursday, June 5, 2014

A former executive for an auto parts manufacturer with a subsidiary in Auburn Hills has been indicted in a conspiracy to fix prices of seat belts, officials announced Thursday.

Gikou Nakajima is charged with participating in a conspiracy to suppress and eliminate competition in the automotive parts industry, according to the U.S. Department of Justice.

Investigators believe Nakajima participated in a conspiracy by “agreeing to rig bids for, and to fix, stabilize and maintain the prices of, seat belts,” a press release states.

Those seat belts were sold to Toyota, Honda, Nissan, Mazda and Subaru, officials said.

Nakajima was the director of Takata Corp. — which has a U.S. subsidiary, TK Holdings, in Auburn Hills — between June 2005 and June 2009. He was the highest-level global sales executive at the company, the release states.

The indictment alleges that Nakajima and others “attended meetings with co-conspirators and reached collusive agreements to rig bids, allocate the supply and fix the prices of seat belts sold to the automobile manufacturers,” the release states.

“It alleges that Nakajima participated directly in the conspiratorial conduct, and that he directed, authorized and consented to his subordinates’ participation.”

The conspiracy was in place between September 2005 and June 2009, authorities said.

Nakajima faces up to 10 years in prison and a $1 million fine, though the fine can be increased to twice the gain derived from the crime or twice the loss suffered by the victim.

Takata is based in Tokyo and supplies parts to automobile manufacturers in the United States, in part through TK Holdings. FBI agents raided TK Holdings in 2011.

Takata was ordered to pay a fine of $71.3 million after pleading guilty in December. Four other Takata executives have been fined and sentenced to prison in this case.

“Today’s indictment demonstrates that the antitrust division continues to hold accountable executives who collude with their competitors,” stated Brent Snyder, deputy assistant attorney general for the
antitrust division’s criminal enforcement program.

“The division will not tolerate executives participating in – and directing their subordinates to participate in – conspiracies to raise the price on automotive parts that are essential to the safety of U.S. consumers.”


© 2014 The Oakland Press (http://www.theoaklandpress.com)
Strong performances and charm help ‘Fault’ tackle tough issues

Bringing tissues. Lots of them. But don’t expect to feel guilty about the tears. “The Fault in Our Stars” earns its emotional kick. More importantly, it balances the wrenching parts with plenty of easy charm and humor.

The movie has its problems — it’s almost too charming for one thing. But the honest, human performances from stars Ansel Elgort and especially Shailene Woodley keep it grounded, even when things start to wander or threaten to get too precious.

On the off chance you haven’t heard, “Fault” is about two teenagers who’ve had cancer. Gus (Elgort) has lost half a leg to the disease. Hazel (or Hazel Grace, as Gus would say) walks around with an oxygen tank and plastic tubing in her nose. She almost died from a lung condition when she was younger; miraculously she survived. But the cancer could come back with a vengeance anytime.

They meet at a church support group. Gus comes with his buddy, Isaac (Nat Wolff), a guy who’s just about to lose his one good eye to the disease. Hazel is forced to attend by her hovering, loving mother (Laura Dern, bringing it). Their eyes meet and that’s about it.

Gus and Hazel become good friends, but Hazel realizes she needs to stop it all. Gus appears to be cancer-free, after all, and she almost surely comes with an early expiration date.

So they live cute, with death always looming nearby. Hazel is obsessed with a book by a reclusive author (Willem Dafoe). Please see ‘Fault’, Page 3C.

The Fault in Our Stars’
GRADE: B
Rated PG-13 for thematic elements, some sexuality and brief strong language.
Running time: 125 minutes.

OU lecturer has her act together in film roles

By Tom Long
Detroit News Film Critic

She kept on acting. Even when the camera wasn’t on her. And Shailene Woodley wanted her for that.

Milica Govich, a special lecturer in theater arts at Oakland University, landed the part of the mother of Woodley’s character’s boyfriend, Gus, in “The Fault in Our Stars,” which called for some pretty emotional scenes. And when the camera pulled away from Govich for Woodley’s big moment, Govich stayed right in character, helping Woodley feel at ease.

“It’s not standard in Hollywood to keep acting when the camera’s not on you, but I did it and she thanked me for it,” Govich says.

ON THE PHONE MONDAY FROM NEW YORK, WHERE she attended the film’s premiere.

Govich, who goes by Mila, doesn’t have much screen time in the film, but nearly every scene she’s in is wrenching.

“It’s draining, but you can turn around and laugh and drop it off a few seconds later,” she says. “If you’re an actor you have to learn how to access those emotions quickly, intensely, but you don’t live there.”

Instead, Govich lives in Birmingham. Born in Ohio, she moved to Metro Detroit 15 years ago from New York and began teaching at Oakland while also landing film gigs. Over the years she’s appeared in Jeff Daniels’

Please see Milica, Page 3C.

Actor: Milica Govich is a special lecturer in theater arts at Oakland University.

Continue from Page 3C

“Supersucker,” the TV show “Hung,” “Trust” with Clive Owen, and the recent horror film “Jim.”

A few years back, a casting agent in Pittsburgh placed her in an episode of the TV series “Three Rivers.” When “The Fault in Our Stars” was set to film there, the agent thought of Govich. Govich drove to Pittsburgh and won the role. Even though she wasn’t fully aware of the book’s popularity, she gave it her all.

“In theater you have weeks to work on (a role). In film, really what you come into an audition with, that’s your performance,” Govich says. “You’re hired for what you did at that audition, so they almost want a finished performance at that audition.”

Govich also just finished working on “Eloise,” the horror film starring Eliza Dushku that’s been filming in Detroit. In it she plays an evil nurse.

“There’s blood all over the place. I think it’s so cool to go from Gus’s mom to this Nurse Ratched horror film,” Govich says. “It shows range, yeah.”

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SC business notebook: Automation firm plans S.C. office

June 12, 2014

tweetdeck logo

Automation firm plans S.C. office

A Michigan-based automation company said it is expanding its North American operations by establishing an office at the Clemson University International Center for Automotive Research in Greenville.

Esys Automation, headquartered in Auburn Hills, Mich., joins more than 17 industry partners at CU-ICAR’s Center for Emerging Technologies as the first automation service provider.

The company works with the automotive and aerospace industries, operating across North America, including Canada and Mexico. It wasn’t known how many employees Esys will have at ICAR.

Gander Mountain plans 2nd S.C. store

Outdoor retailer Gander Mountain will open its second South Carolina store this fall adjacent to Tanger Outlet on U.S. 501.

The store is to feature one of the largest new and used firearms selections in the state, according to a news release, as well as men’s and women’s active outdoor and casual clothing plus a large group of gear and accessories for hunting, fishing, camping boating and archery. It will be located in a 46,500-square-foot standalone building next to the outlet stores.

Myrtle Beach is home as well to Bass Pro Shops, which has a store at Myrtle Beach Mall. Gander Mountain
recently opened a store in North Charleston.

Tweet self-propagates

A tweet containing computer code has started propagating itself through Twitter by taking advantage of a security flaw in Twitter’s TweetDeck application. In response, Twitter shut down the application’s access to tweets.

The tweet is automatically “retweeted,” or sent out again, when processed by TweetDeck. Affected tweeters saw pop-up windows on their screens. The tweet was retweeted tens of thousands of times Wednesday.

Twitter, which owns TweetDeck, initially told TweetDeck users to log out and log back in. When that proved ineffective, it shut down the application’s access to tweets.

It’s not the first time tweets containing JavaScript code have self-propagated through security holes in Twitter. The last major outbreak was in 2010.

Apple, Starbucks, Fiat tax deals probed

The European Union Commission’s antitrust regulator is investigating deals that Apple, Starbucks and Fiat struck with tax authorities in several European countries to see whether they amount to unfair state aid.

The multinationals have agreements with tax authorities in Ireland, the Netherlands and Luxembourg as part of their strategy to minimize the taxes they pay. The EU antitrust commissioner, Joaquin Almunia, said Wednesday that while such agreements are permissible in theory, they would be improper if they give the companies involved an advantage over competitors.

The companies named have been frequent targets of criticism for paying low taxes in some places they operate. The countries have also been criticized – Ireland for its low tax rates, the Netherlands and Luxembourg as homes for shell companies, and all three for secrecy.


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Projects are ‘truly exciting’

12 companies create 900 new jobs; expansion part of $89.7M investment

By Megan Seemaz
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@MeganSeemaz on Twitter

Oakland County is putting the recession behind, as 12 companies have expanded or landed locally in May — becoming the most economic development projects the county has seen in a single month since it began keeping track in 2004. About 900 new jobs are expected to be created from the projects, while another 945 jobs will be retained.

The investment, which totals $89.7 million, includes both Oakland County’s Emerging Sector projects associated with electronics and communications or information technology, as well as traditional ones such as automotive.

900 jobs
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“This is truly exciting,” Oakland County Executive L. Brooks Patterson said in a release. “We’re putting the great recession behind us and moving quickly into a knowledge-based economy.”

Five of the companies have or will locate in Troy; three in Auburn Hills, Orion Township, Pontiac and Rochester Hills.

Companies include Challenge Mfg. Company in Pontiac; Mahindra USA in Troy; Toyoda Gosei North America Corp. in Troy; and Rapid Global Business Solutions in Troy.

Dan Hunter, deputy director of the Department of Economic Development & Community Affairs, said he could not recall a month with as many as 12 successes.

“There have been bigger months in terms of total investment but I don’t ever remember having this many projects in a single month and I’ve worked here since 1985,” Hunter said. “It may be the biggest number we’ve ever had.”

There have been 26 Emerging Sector successes so far in 2014. The most successful year of the program in terms of projects attracted was 2010 when there were 46.

Patterson created the Emerging Sectors program in 2004 to help diversify the economy and replace to replace lost manufacturing jobs. The program targets international companies that wish to expand oper-
Student loan debt root of growing shortage in primary care practice, Legislature takes action to help

By Diana Dillaber Murray, The Oakland Press

Thursday, May 22, 2014

Student loan debt averaging between $160,000 to more than $250,000 is the biggest of several factors in keeping young doctors from going into the desperately needed primary care family practice and sending them into the higher-paid specialist fields.

Also worsening the growing shortage of graduates going into primary care is the lack of posts where medical school graduates can do their required training as residents. Without it, they cannot get their license to practice.

Efforts are underway now in Michigan to deal with a critical statewide shortage predicted for the state by the Association of American Medical Colleges. By 2020, according to the college association, more than 40 percent of current primary care doctors are expected to retire.

At the same time, the need will be great with baby boomers older and needing more health care; and more people insured under the Affordable Care Act and looking for a primary care doctor. Primary care can include family medicine, internal medicine, obstetrics/odontologist, and pediatrics — often combined.

To help alleviate the shortage that already exists in some of the state’s rural, small town and urban areas the Michigan lawmakers recently took a major step. In a bipartisan effort, the state Legislature modified the Michigan Student Loan Repayment Program for medical school graduates. Now the program will pay off as much as $40,000 a year up to a total of $200,000 toward the student loan of a doctor practicing in a designated underserved area after their residency.

Reasons to avoid primary care field

The House approved the bill proposed by state Sen. John Moolenaar, R-Midland with a 104-6 vote Wednesday May 21. The Senate had approved it earlier. Moolenaar introduced the bill because of a shortage of obstetricians/gynecologists to deliver babies in his home county, Gladwin, and surrounding areas.
Nicolas Fletcher, an MD candidate at Michigan State University College of Human Medicine and Chair of the state Medical Society’s student section, had written to legislators in support of the bill on behalf of thousands of students.

“We want to pay off loans, start practicing and raise a family,” Fletcher said. “The growing debt burden is pushing medical graduates away from high-need, low-pay primary care specialties in underserved areas.”

In reaction to the Legislature’s action, Steven Japinga, chief of public policy and legislative relations for the Michigan State Medical Society, said “We are elated about the strong bipartisan support of the Essential Health Provider Program (loan repayment) which will focus on increasing primary care physicians in rural and underserved areas in Michigan.

“The Michigan State Medical Society remains laser focused on exploring both short- and long-term solutions for increasing primary care physicians to continue providing the highest quality of care, access and safety for our patients,” Japinga said.

Some of the reasons given in interviews and reports for the continuing decline in primary care doctors include:

• The high cost of medical school tuition and student loan debt.

• Medical specialists earn two to five times more than primary care doctors.

• Only one in five medical students come from areas where primary doctors are most needed because they can’t afford tuition.

• There are not enough posts for residency training for graduating medical students.

• The spouse may not want to live in the underserved area.

Changing course

Oakland County and Michigan medical societies, the state’s medical schools and some legislators are working on strategies to bring and keep more young medical students into primary care medical practice.

Elizabeth White, 25, who is in her third year at Oakland University William Beaumont Medical School, is just the type of candidate they are looking for in Michigan. White said she is leaning toward being a primary care physician.

“I was undecided for a long time, but I believe I am going for internal medicine. I really enjoy establishing relationships with patients,” White said. “As an internal care doctor, I would be able to guide them through their life’s conditions.” She likes the idea that primary care would allow her to work with the whole patient and give them the best plan of action.

White already knows she would enjoy being an internal medicine physician because she has experienced it in her rotation in the Beaumont Health system. She spent time at Covenant Care for underserved people in Royal Oak and said she would like to go back.
“What has encouraged me are the mentors I have had. They have inspired me and made me feel I would enjoy primary care.” However, she won’t make a final decision until after internships over her fourth and final year in medical school.

The Academy of Family Physicians reported there are a total of 5,472 family physicians in Michigan, but over the next 10 years, 45 percent of them plan to retire. The academy said Michigan faces a physician shortage greater than the national average, and the largest shortage is in primary care.

The shortage of these important generalists is already a major issue in parts of Michigan’s rural and small town areas and in some urban communities.

In Michigan, according to the 2014 Michigan Counties Health Rankings & Roadmaps:

• The state average is 1,268 patients to each primary care doctor.

In comparison:

• Clare County: 2,387 to one
• Gladwin: 3,231
• Isabella: 2,018
• Gratiot: 1,561
• Macomb: 1,747
• Oakland: 683
• Wayne: 1,539

New medical schools, including at OU

Michigan has long boasted four medical schools: the University of Michigan Medical School, Wayne State University School of Medicine, Michigan State University School of Medicine and Michigan State University School of Human Medicine.

However, in recent years, because of the shortage, two new medical schools have opened and a third one is in the process.

• Oakland University William Beaumont Medical School is finishing its third year and will have its first graduating class in 2015, said Medical School Dean Robert Folberg.

• Central Michigan University Medical School in Mt. Pleasant began taking its first students in summer 2013 and is building its medical campus in Saginaw, where third- and fourth-year students will intern.

• Western Michigan University Homer Stryker M.D. School of Medicine will hold grand opening in September. One of its goals is to be the catalyst to create a regional Health Sciences Center in southwest Michigan with Borgess Health and Bronson Healthcare.
Even though Oakland County is actually pretty well off compared to most other counties, with a ratio of 683 patients to each primary care doctor in 2014, Oakland is also experiencing a decline in the number of primary care doctors. In 2011, the ratio was 577 to one primary care doctor, more than 100 patients less than this year.

Also, Oakland County has a plentiful supply of hospitals and an abundance of specialists compared to some areas in northern Michigan and the Upper Peninsula that don’t have a doctor to deliver babies in a range of several counties, said Japinga.

**Changing residencies**

Another reason that medical students don’t go into primary care practice is most spend their internships and residencies in hospitals and with specialists, not so much with primary care doctors, said Dr. Maryjean Schenk, M.D., vice dean of Medical Education at Wayne State University Medical School.

And medical residents tend to continue to practice in the area in which they spend their residencies, said Schenk.

Schenk said WSU and two Oakland County hospitals, Crittenton Hospital Medical Center in Rochester, and Troy Beaumont, have been operating special teaching programs to bring and keep more primary care doctors in Michigan.

Forty percent of Michigan’s physicians are graduates of Wayne State University Medical School, according to data provided by the Michigan Community Health Department.

“We are committed to train medical students and get them working with our clinical partners so they stay here for residency,” Schenk said.

A family physician herself, Schenk said when she came to WSU, she became acutely aware of the shortage in the rural and small town areas. So she started ensuring students would be placed in such areas for internships between their first and second years to give them the opportunity to experience the practice and the lifestyle.

Other medical schools are also providing programs that may lead new doctors to establish practices in Michigan, especially in underserved areas.

OU’s medical school emphasize communication and relationships with patients, something that is integral to a primary care practice, said Folberg. The requirement to do a four-year research project also often involves them in community practices. The mission of CMU’s new medical school is “...to train physicians to care for the residents of Michigan’s medically underserved cities and towns.” Seventeen members of the inaugural class of 64 students in the CMU College of Medicine are from the Great Lakes Bay Region.

MSU School of Human Medicine recently placed 12 interns in Marquette in the Upper Peninsula, according to the Mining Journal.