

*The City of Auburn Hills*  
City Council Meeting  
Minutes

June 17, 2013

**CALL TO ORDER:** by Mayor McDonald at 7:00 p.m.  
**LOCATION:** City Council Chamber, 1827 N. Squirrel Road, Auburn Hills, MI 48326  
Present: Mayor McDonald, Council Members Doyle, Kittle, Knight, McDaniel, Verbeke  
Absent: Mayor Pro-Tem Hammond  
Also Present: City Manager Auger, Assistant City Manager Tanghe, Director of Emergency Services/Police Chief Olko, DPW Deputy Director Grice, City Assessor Michael Lohmeier, Finance Director Barnes, Manager of Roads & Facilities Brisson, City Clerk Kowal, City Attorney Beckerleg, City Engineer Juidici  
Guests 14

**4. APPROVAL OF MINUTES**

4a. Council Goals & Objectives Workshop – May 18, 2013

Moved by Doyle; Seconded by Verbeke.

**RESOLVED:** To approve the May 18, 2013 Goals & Objectives Workshop, with the addition of a line stating where the Summary of the meeting can be found.

**VOTE:** Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke

No: None

Motion Carried (6-0)

**Resolution No. 13.06.099**

4b. Regular Council Meeting – June 3, 2013

Moved by Knight; Seconded by Kittle.

**RESOLVED:** To approve the June 3, 2013 Regular meeting minutes.

**VOTE:** Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke

No: None

Motion Carried (6-0)

**Resolution No. 13.06.100**

4c. Council Workshop – June 3, 2013

Moved by Doyle; Seconded by Knight.

**RESOLVED:** To approve the June 3, City Council Workshop meeting minutes.

Ms. Doyle ~~hoped~~ clarified the next workshop topic would be branding and communication.

**VOTE:** Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke

No: None

Motion Carried (6-0)

**Resolution No. 13.06.101**

**5. APPOINTMENTS & PRESENTATIONS**

5a. Appointment of Patricia Dolly – Tax Increment Finance Authority

~~Ms.~~ Dr. Dolly noted she has been an Auburn Hills resident for seven years. She was a former president of the Auburn Hills Campus of Oakland Community College, and this past year has become the senior advisor to the Oakland University President for diversity, equity and inclusion. She has served on a number of Boards including the Auburn Hills Chamber of Commerce as the chairperson, an active member in the Auburn Hills Rotary, and numerous boards in Oakland County, including the Economic and Workforce Development Board.

~~Ms.~~ Dr. Dolly stated after meeting with Mayor McDonald about the TIFA Board position, she spoke with the University President and he was thrilled that she will be working with the City.

Moved by Verbeke; Seconded by Doyle.

**RESOLVED:** To confirm the Appointment of Patricia Dolly to the Tax Increment Finance Authority for a term ending February 28, 2015.

**VOTE:** Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke

No: None

Motion Carried (6-0)

**Resolution No. 13.06.102**

**6. PUBLIC COMMENT** – none.

## 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. Retiree Health Care Board – May 8, 2013
- 7a.2. Pension Board – May 8, 2013
- 7a.3. Tax Incentive Review Committee – May 13, 2013
- 7a.4. Tax Incentive Review Committee – June 11, 2013
- 7a.5. Tax Increment Finance Authority – June 11, 2013

### 7b. Motion - 2013 Storm Structure Rehabilitation Program

**RESOLVED: To approve the costs associated with the 2013 Storm Structure Rehabilitation Program and award the bid to Superior Excavation, P.O. Box 4290, Auburn Hills, Michigan 48326 in the amount of \$ 346,650.00. Further to approve the OHM Scope of Construction Services for the not-to-exceed amount of \$ 29,250.00. Funding is provided from Major Streets (202-452-935.000) and Local Streets (203-453-935.000).**

### 7c. Motion – Approve Renewal of Contract for Oakland County Equalization Division

**RESOLVED: To approve the 2013-2016 Contract for Oakland County Equalization Division Assistance Services with the City of Auburn Hills, personal property services.**

**Moved by McDaniel; Seconded by Verbeke.**

**RESOLVED: To approve the Consent Agenda.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Motion Carried (6-0)**

### **Resolution No. 13.06.103**

## 8. OLD BUSINESS

### 8a. Motion – Approve Downtown Forward Angle Parking

Mr. Grice explained the City was approached by the downtown merchants to consider changing from parallel parking to angle parking along Auburn Road allowing more parking spaces; from 41 spaces to 59 spaces. The proposed area is from Squirrel Ct., east to Juniper; the parking spaces west of Squirrel Ct. will remain as parallel parking.

Mr. McDaniel suggested those parking spaces near Subway should also be angle parking to accommodate the many visitors that attend the music in the park on Friday nights.

Mr. Grice explained two travel lanes need to be maintained at that point, one a left turn only lane and the other for right hand turns and through traffic.

Mr. Knight suggested a right-turn only lane on westbound Auburn Road at Squirrel Ct.

Mr. Grice noted with only two lanes, and using one lane as a left turn and through lane with the other right-turn only lane, the traffic would become very backed up. Continuing, Mr. Grice stated this intersection will not have any changes made. He also confirmed there isn't enough roadway space to have forward angle parking and a left turn lane.

Mr. Knight suggested in the future, remove the flower boxes so a third, middle turn lane, would be possible.

Mr. Grice noted this proposed configuration will allow the flow of traffic to be studied and determine what changes may be needed. There will also be additional handicap parking spaces available with the new angle parking. With the proposed changes, and extending the parallel parking east, the total parking spaces will be increased to 97 spaces, as well as slowing traffic through the downtown.

Mr. McDaniel suggested when it's time to remove the Aristocrat Pear trees from lining Auburn Road that may be the time to investigate the possibility of constructing a center turn lane.

Mr. Grice agreed that may be something to consider.

Mr. Kittle asked if there has been any consideration of including bike paths. He also questioned if proceeding in phases might be more favorable, lending time to determine if angle parking is necessary east of Squirrel Ct.

Mr. Grice explained the cost is more favorable to do all the work at one time while the crew and their equipment will be in the City. The road striping will be contracted and the parking spaces will be done in-house.

Mr. Juidici noted the reason for doing it all at once is because of the four travel lanes; it isn't wise in such a short stretch of roadway to go from two lanes, to four lanes, then back to two lanes; it would be very dangerous and confusing for drivers.

Mr. Grice explained *sharrows*, shared bike-lanes were discussed. Sharrows are paint markings reminding auto drivers, that a particular stretch of roadway is a shared space with bicyclists. At some point, it may be necessary to request bicyclists not use the sidewalks downtown, but to ride in the roadway. This is a very inexpensive way to provide a travel lane for bicyclists, with plenty of space; the travel lane is approximately 14 feet wide. The sharrows would be done in-house if determined it would be a beneficial addition.

Ms. Doyle would like to see the sharrows added immediately; there has been a lot of effort in making Auburn Hills a walkable and bicycling community. This is a simple, inexpensive solution to keeping bicyclists off the downtown sidewalks, and reminding motorists to share the road with the bicyclists.

Mr. Grice explained it was the intent to monitor the amount of bicycle traffic through the downtown; the Clinton River Trail crosses Auburn Road east of downtown so there isn't a large amount of bicycle traffic. The bicycle traffic is expected to increase with the new student housing. With the changes being made downtown, the thought was to not overload motorists with a lot of changes.

Ms. Doyle asked if there are any City policies prohibiting bicycle riding on the sidewalk downtown; she would like to make it clear that Auburn Hills welcomes bicycle riding.

Mr. Kittle noted even where bike paths are available bicyclists still ride in the streets. He would like to see better sharrow markings on the roads, making it quite clear to motorists of the bike lane.

Mr. Knight would like to see the sharrow markings from the start with the new parking configuration. He would also like to see clear marking for the crosswalk, between Squirrel and south Squirrel Roads.

Mr. Grice explained a local ordinance must be adopted that requires motorists to stop for pedestrian traffic in the crosswalk.

Mr. Knight believed pedestrian crossings were part of the Motor Vehicle Code and drivers were always to stop for pedestrians crossing the street.

Mr. McDaniel stated he would like to proceed with the crosswalk and give direction to Staff to draft an ordinance. On the weekends particularly, there are many young families trying to cross Auburn Road, and once there is only one travel lane, the flow of traffic will be constant and more difficult to cross the road. He also agreed with Mr. Knight, that everything should be done at the same time.

Mr. Kittle believe the biggest challenge will be behavioral changes and suggested using signs to alert drivers that changes to Auburn Road are coming, prior to the work beginning. He would also like to see the pedestrian walkway painted right from the start, making motorists aware of the change, even if an ordinance has not yet been adopted.

Ms. Doyle was in agreement to do all the changes together, from the start; the sharrows, the pedestrian crossing and the angle parking. The summertime is a better time to condition motorists to the changes, there is generally lighter traffic and the markings will be visible, as opposed to being covered in snow.

Ms. Verbeke was in agreement with the other Council Members, that all three elements should be done together and asked how soon before the project will get underway.

Mr. Grice hopes to have the project done in July; it is contingent upon when the traffic striping is available. The actual road striping is contracted and the striping for the parking spaces and sharrows will be done by DPW employees.

Mr. Knight suggested a banner be hung downtown alerting motorists to the impending changes and/or signage at both ends of Auburn Road noting the changes to watch for, at least two weeks prior to beginning the work.

Ms. Doyle suggested passing out flyers at Summerfest.

Mr. Grice noted the roadway will not be wide enough to accommodate a designated bike lane, but can accommodate sharrows.

Mr. Juidici explained the roadway is five feet short on both sides to accommodate a designated bike lane on Auburn Road. He will investigate further markings on the road for vehicles to follow, in conjunction with the sharrow markings.

**Moved by Kittle; Seconded by McDaniel.**

**RESOLVED: To approve changing the downtown parking configuration from parallel to forward angle parking as presented, including the addition of crosswalk painting, bike path sharrows and additional striping in conjunction with the sharrow marking. Funding is available from Major Streets account 202-452-935.100.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Motion Carried (6-0)**

**Resolution No. 13.06.104**

**8b. Motion – Approve Fifth Amendment to the Cardell Agreement**

Mr. Barnes explained the City has been contacted by Molex, requesting a fifth amendment to remove the lien on two parcels being sold to Ralco Industries, Inc., to construct their world headquarters. Ralco's site plan, special land use permits, and tree removal permit were approved by the City Council at its June 3, 2013 meeting. The fifth amendment terms would mirror the third and fourth amendments between the City and Molex (Cardell). The City would be paid \$110,000, the same amount as the past two amendments.

Mr. Kittle asked if this money is taken against the advancements, and if the longevity payments are taken from a TIFA, or similar, associated with the agreement that this money would apply to; and is the City short changing themselves by taking the funds that are suppose to help fund the golf course.

Mr. Barnes stated he doesn't have any reservations of making the amendment and the City receiving the \$110,000.00; it is not treated as an advance and there is no repayment.

Mr. Knight asked about Schedule A and the City owing Cardell \$1,529,197; he believed the City owed much more.

Mr. Barnes explained Molex took over the payments in 2009; monies were advanced when the property was owned by Cardell. Mr. Barnes also noted there were some advances in Schedule B, as well.

Mr. Barnes concurred for Mr. Knight, that yes, the City may owe \$3 million more, if the loan continues through 2020.

Mr. Knight asked how much money the City owes on Schedule B.

Mr. Barnes didn't believe it to be much more than \$1 million; Schedule B was interest bearing and a loan has not been taken since 2004.

**Moved by Verbeke; Seconded by Knight.**

**RESOLVED: To approve the Fifth Amendment to the Agreement dated January 31, 1996 between the Cardell Corporation and the City of Auburn Hills and to authorize the City Manager to complete the execution of said Fifth Amendment.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Motion Carried (6-0)**

**Resolution No. 13.06.105**

## **9. NEW BUSINESS**

*Mayor McDonald stated Item 9a. will be moved to follow Item 9f.*

### 9b. Public Hearing/Motion – Approve Industrial Facility Exemption Certificate for New Personal Property/Caisson Technology Group, LLC

Mr. Lohmeier explained this request was submitted by Caisson Technology Group, LLC for personal property in the amount of \$8,552,000, creating 377 new jobs at this facility over the next two years. There are no pending appeals pertaining to this property or to the purchaser. There is a signed five year lease for the building.

Mayor McDonald opened the public hearing at 7:56 p.m.

Louis Conti, President and Chief Executive Officer, explained this is a Delaware corporation that has been operating in Cincinnati, Ohio for the last 18 months.

Ms. Doyle welcomed Mr. Conti to Auburn Hills, noting how pleased she is with the company moving to Auburn Hills, creating 377 new jobs over the next few years, occupying a vacant building, and brings new technology to the City. She asked Mr. Conti to describe this new technology.

Mr. Conti stated the idea came from a former science lab director from Kiev, Russia and between the two of them, they have spent approximately \$2.5 million developing his thesis, which by using diesel fuel this will break down the hyper carbon chains and the water molecules and kills the organic material, commonly known as algae in the diesel fuel. Their intention is to target is large trucks, generators, locomotive engines, and large marine vessels; users of diesel fuel. Work is also being done on diesel powered generating stations, which would be an export business to island nations. When using the product with diesel fuel, the fuel becomes ultra refined and burns more clean. As the engine recognizes it is burning more cleanly, the vehicle computer and/or the station, will adjust the amount of fuel being fed to the motor. Through preliminary studies, there has been a 17% increase in horse power, 20% increase in torque, and a reduction in emissions. The fuel savings for a classic, class eight, diesel truck, with normal driving is approximately 10% to 30%; a truck averaging six miles to the gallon can average eight miles to the gallon.

The built component is a box with a pump and an electronic controller, which is being manufactured locally, and will be assembled at this location.

Mr. Knight asked what will keep other nations from stealing this design.

Mr. Conti explained the patent filed is approximately 260 pages. This type of technology has been used in Russia for quite some time, but is new in North America. Also, if the box is tampered with, and the correct tools are not being used, then parts will be destroyed in the process.

Mayor McDonald asked why the company and Mr. Conti, chose to bring their business to Auburn Hills.

Mr. Conti noted he was quite impressed with the vast understanding in the area and sense of urgency, as well as the proximity of I-75 and M-59. The State of Michigan because of the number of universities, including Michigan Tech, Kettering, U of M, Michigan State, Wayne State, and Oakland University. There are also other applications besides fuel; water remediation and a medicinal application. Soon, symbiotic relationships will begin with all of the area colleges, trying to determine who to work closely with.

Also, Mr. Conti stated his family, daughter and granddaughter live in the State.

Mayor McDonald closed the public hearing at 8:07 p.m.

**Moved by Knight; Seconded by Verbeke.**

**RESOLVED: To approve the request for a 3-year IFEC pertaining to new personal property for Caisson Technology Corporation, LLC. for a total personal property investment of \$8,552,000 by adopting the attached resolution.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Resolution No. 13.06.106**

**Motion Carried (6-0)**

9c. Public Hearing/Motion – Approve Request to Establish an Industrial Development District/NDA Auburn LLC

Mr. Lohmeier explained this is the site of the former Showcase Cinema which was recently purchased by NDA Auburn LLC. The parcel consists of 19.60 acres and is zoned T&R; Technology and Research. There are no abatements or pending tax appeals for this property.

Ms. Doyle asked Mr. Lohmeier to briefly explain the other agenda item requests that are associated with this property.

Mr. Lohmeier stated the last of these items, 9f., the IFEC for rehabilitation of real property is requested to be removed from this agenda. The signed lease has not been completed for this property and once the lease has been executed, this item will be brought back to Council.

Continuing, Mr. Lohmeier stated item 9d. is a request for plant rehabilitation, noting the building is over 90% obsolete. There will be a petitioner at the next Council meeting who will be seeking approval to replace the obsolete facility. Item 9e. pertains to the old fire department site, south of the cinema site, and is a request from the City to approve a industrial development district; there is negotiating between the City and Mr. Dembs of purchasing a portion of that parcel.

Mayor McDonald opened the public hearing at 8:12 p.m.

Ryan Dembs President of Amson Dembs Development, Inc. and owner of the property is intending on constructing a high-end corporate headquarter business park. Discussion is currently taking place with one user, who will occupy one half of the site and are seeking a second occupant for the other half.

Continuing, Mr. Dembs explained the company has been in business for 18 years, a contractor-developer company who will be doing all the development for the park. The company's niche is high-end, technical style centers. The company builds similar type projects all over the state, with another currently being constructed in Novi.

Mayor McDonald closed the public hearing at 8:14 p.m.

**Moved by Knight; Seconded by McDaniel.**

**RESOLVED: To approve the request to establish an Industrial Development District for NDA Auburn LLC by adopting the attached resolution.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Resolution No. 13.06.107**

**Motion Carried (6-0)**

9d. Public Hearing and Request to Establish a Plant Rehabilitation District for NDA Auburn LLC.

Mr. Lohmeier explained this is a request for a Plant Rehabilitation District, similar to Prefix Coating that now occupies the former Kmart facility. There is a tenant in mind for the facility, who will replace the obsolete facility.

Mayor McDonald opened the public hearing at 8:15 p.m.

Ryan Dembs, stated he is excited about the project and plans will be coming forward soon. The entire site will be demolished and recycling everything that is possible, starting within the week or so. As soon as the site is demolished, construction will begin and hopefully the first phase with the new building and landscape will be completed in eight to 10 months.

Mayor McDonald closed the public hearing at 8:17 p.m.

**Moved by Knight; Seconded by Verbeke.**

**RESOLVED: To approve the request to establish a Plant Rehabilitation District for NDA Auburn LLC by adopting the attached resolution**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Resolution No. 13.06.108**

**Motion Carried (6-0)**

9e. Public Hearing/Motion – Approve Request to Establish an Industrial Development District/City of Auburn Hills

Mr. Lohmeier noted the City is requesting approval to establish an Industrial Development District. This property is pending purchase, in part or whole, by the new purchaser (i.e., NDA Auburn LLC) of the former Showcase Cinema property. This is a 2.30 acre vacant site with a B-2 zoning.

Mayor McDonald opened and closed the public hearing at 8:20 p.m. hearing no comment.

**Moved by Doyle; Seconded by Verbeke.**

**RESOLVED:** To approve the request to establish an Industrial Development District for Auburn Hills by adopting the attached resolution

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**  
**No: None**

**Motion Carried (6-0)**

**Resolution No. 13.06.109**

9f. Public Hearing/Motion – Approve Industrial Facility Exemption Certificate for Rehabilitation Real Property/GKN Driveline North America, Inc.

Mr. Lohmeier stated the applicant has requested this item be postponed.

**Moved by Verbeke; Seconded by Kittle.**

**RESOLVED:** To postpone approval of the Industrial Facility Exemption Certificate for Rehabilitation Real Property/GKN Driveline North America, Inc., to a future Council meeting.

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**  
**No: None**

**Motion Carried (6-0)**

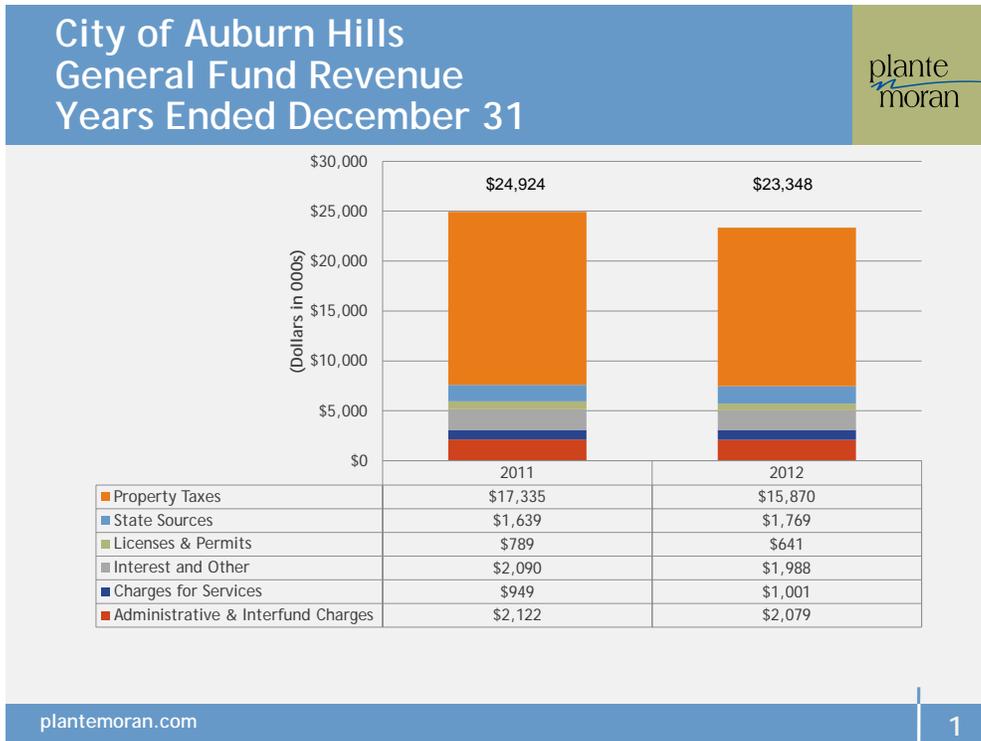
**Resolution No. 13.06.110**

9a Motion – Accept 2012 Financial Report & Plante Moran’s Audit Reports

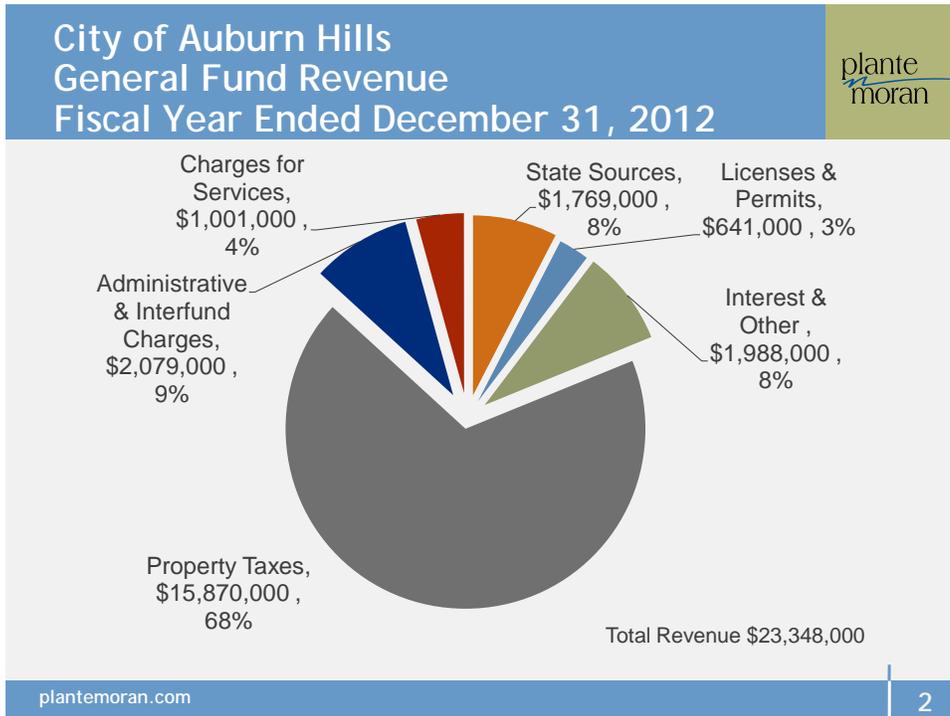
Michelle Waterworth, introduced herself and Beth Bailey, and Justin Kolbow, auditors from Plane Moran.

Ms. Waterworth noted on page 5a. and 5b., the audit opinion, are the only pages of the financial statement that is owned by Plante Moran; all other pages were supplied by the Finance Department and are owned by the City. Continuing, Ms. Waterworth stated the opinion is an unqualified opinion, the highest level of assurance the City can receive on audited financial statements.

Justin Kolbow noted property taxes decreased approximately \$1.5 million dollars; however, the State Sources increased by approximately \$100,000.00, though historically have decreased. The other general funds are consistent to prior years.



Mr. Kolbow indicated two main components of the general fund are property taxes and State shared revenue, which the City has no control over, makes up approximately 75% of the general fund.



Two years of historical data is shown for the Timing of Property Tax Decreases, 2013 and 2014 are based on projections. The timing delays portray the assessment date, the levy date and when recognized as revenue by the City.

### City of Auburn Hills Timing of Property Tax Decreases

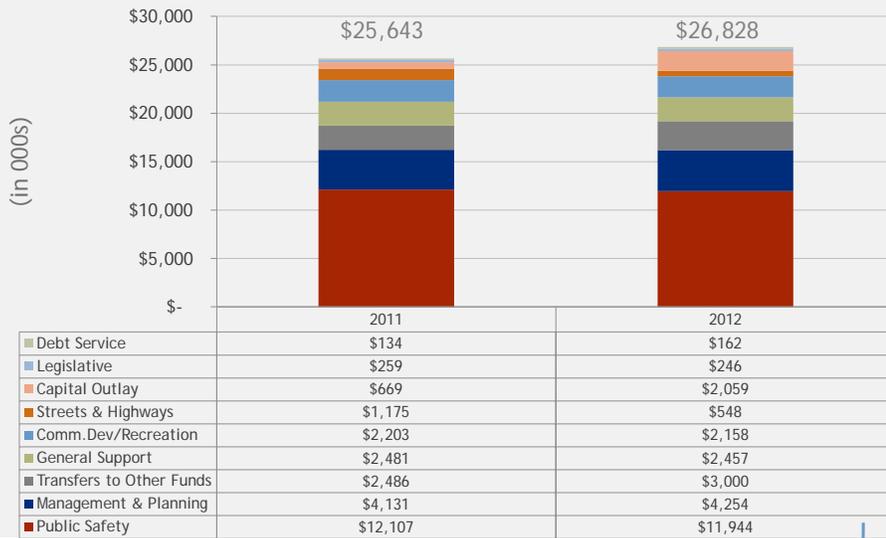
| Budget Year  | 12/31/11      | 12/31/12      | **12/31/13    | * 12/31/14    |
|--|---------------|---------------|---------------|---------------|
| Assessment date (based on sales from 12-24 months prior) | 12/31/09      | 12/31/10      | 12/31/11      | 12/31/12      |
| Levy date  | 12/1/10       | 12/1/11       | 12/1/12       | 12/1/13       |
| Taxable value (Ad Valorem)                               | 1,950,737,110 | 1,788,798,940 | 1,658,642,745 | 1,619,799,930 |
| Percent increase <decrease>                              | <12.2%>       | <8.3%>        | <7.3%>        | <2.3%>        |

\* Based on information from Oakland County Equalization, prior to BOR and MTT adjustments  
 \*\* Information from L-4029 as of 5/29/2012.

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The General Fund Expenditures increased approximately 5% or \$1.2 million, with the largest increase in Capital Outlay for various projects and a transfer to other funds of approximately \$500,000.00 which went to the Local Streets fund. There aren't any other significant fluctuations in the expenditures.

## City of Auburn Hills General Fund Expenditures Years Ended December 31

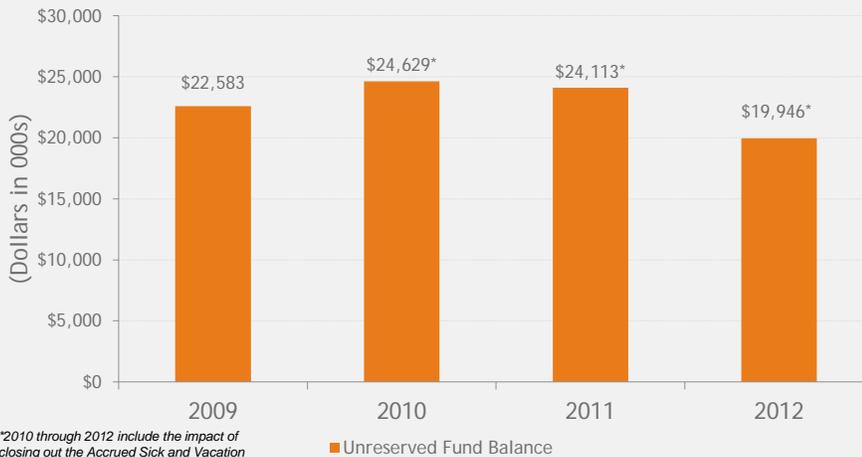


The Fund Balance has been fairly consistent over the last three years, with a decrease in 2012 of approximately \$4 million. The fund balance is \$2 million higher than anticipated, because specific projects were not done. The General Fund is in excellent condition, despite the \$4 million decrease. The Finance Department has done a great job in anticipating the decreases in revenues and cost containment.

## City of Auburn Hills General Fund—Fund Balance Years Ended December 31



### Unreserved/Unrestricted Fund Balance



The Water and Sewer Fund shows three years of historical data and projections for 2013 and 2014. In 2010 and 2011 the Operating expenses exceeded the revenue; however, in 2012 water rates were increased allowing the operating revenue to cover the operating expenses.

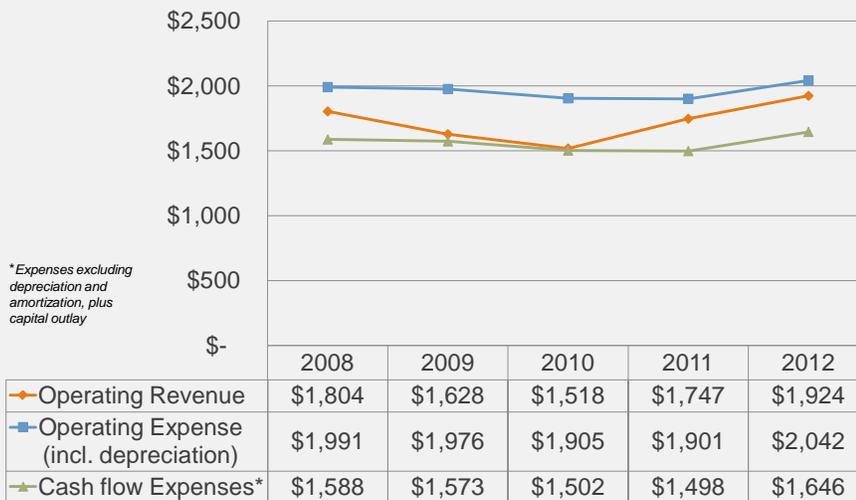
## City of Auburn Hills Water & Sewer Fund - Trend Information Years Ended December 31



\* Projected based on data from City's Finance Dept

The Golf Course Fund indicates the gap is getting smaller between operating expenses exceeding operating revenue. The City has filed a deficit elimination plan with the State and at the end of 2013 the City anticipates this deficit will no longer exist.

## City of Auburn Hills Golf Course Fund - Trend Information Years Ended December 31



Mr. Kittle asked for clarification regarding the golf course graph and what the green line represents.

It was explained the blue line represents the operating expenses, including the depreciation value. The green line indicates the actual expenses and includes capital outlay; the difference between the blue line and the green line is approximately \$400,000.00.

Moving on to the letters, Ms. Waterhouse stated many of the internal control items listed last year have been addressed. The audit entries to be corrected are non-reoccurring entries that occur at the end of the year to close out the books and don't have an impact on the general fund results. Another internal control concern is the bank reconciliation process being done in a timely manner, even though progress has been made since last year.

A set of required communications under the audit standards must be followed including the qualitative aspects of accounting practices. No new accounting policies were adopted and the application of existing policies was not changed, with the exception of minor terminology.

Accounting estimates are an important part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions of future events. The most sensitive estimates affecting the financial statements were related to the recording of liabilities and expenditures for pending tax tribunal cases, property tax charge-backs from Oakland County and estimated pension/OPEB assets related to pension and retiree healthcare funds.

The Oakland County charge-back estimates should be increased and the actuarial evaluation did not get an adjustment which excluded an entire department from the actual valuation which would impact the calculation based on the actuaries report.

There were no significant difficulties working with management in performing and completing the audit.

Ms. Doyle asked how much the Oakland County charge-back risk is.

Ms. Waterhouse explained the audit revealed the charge-back for the general fund should be increased by \$72,000.00 and the components by \$123,000.00 for a total of \$200,000.00. Oakland County has reduced the City's potential loss over the last several years, with this year being substantially lower.

Ms. Bailey proceeded with section three – legislative items noting revenues are down by 10% which is attributed to a decrease in property taxes, a decrease in revenue sharing and a decrease in building permits, interest income and most revenues are very low. For the 2013 – 2014 period, there is an anticipated 4% increase in revenue sharing, which includes the EVIP. Category one, Accountability and Transparency now requires very detailed information regarding debt. The second category is Consolidation of Services has been expanded to include innovation and privatization. Category three, Employee Compensation, is now being wrapped around unfunded accrued liability plans; the pension and the retiree health care plans that is putting a big strain on the budgets. The intent is to make sure communities are doing what they can to reduce the legacy costs and not doing anything to increase the legacy costs. The City has done a great job, the pension system is almost fully funded, and the retiree health care plan is just over 50% funded. It is quite an achievement that the retiree health care fund is over 50% funded in just over six years of its inception. There will be a new accounting pronouncement that will be implemented in 2015, which will require the City to show the pension liabilities on the government wide balance sheet.

The personal property tax, is awaiting an August 2014 vote, which will allow for a portion of use tax money to be deposited or diverted as a replacement for personal property tax. If a community is losing more than 2.3% property tax base, as a result of the personal property tax changes, the community would be able to be reimbursed up to 80% of the lost dollars, over and above the 2.3%, if the vote passes in 2014.

The key provisions of the act phase out the industrial portion of the tax over a nine-year period beginning in 2016. Businesses with less than \$40,000 taxable value for industrial and commercial personal property in any jurisdiction would no longer pay the tax.

There has been a change at the State which requires a deficit elimination plan for any fund having a deficit. The plan must have been approved by Council and submitted at the time of submitting the audit report. The City has only one deficit, the golf course fund. The City has submitted a plan in the past, and as long as the City continues to follow that plan there isn't a need to submit another plan. The City's plan is to entirely eliminate that deficit by year's end.

The pension and obligation bonds allow communities that meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and retiree health care plans. The City is only short \$7 or \$8 million, and probably not worth all of the work and expense for the City.

There is a new pension act, when a community administers their own pension system, as Auburn Hills does, there are different rules that must be followed. The rules include raising maximums for several investment categories and putting limitations on spending for board members. There have also been some reporting requirement changes.

There is also a new process for filing the audit.

Mr. Knight noted Ms. Waterhouse has assured him the money is in the proper bank accounts and those accounts have been reconciled.

Mr. Kittle questioned if the bank reconciliations being behind is an issue and was it surprising that they were behind.

Ms. Waterhouse explained last year the bank reconciliations were not completed as they should be; however, this year the finance department and the treasurer office are working hand-in-hand and reconciling all the accounts, not just the primary bank accounts. The only incident was a slight delay in the timing of the reconciliations. There have already been measures taken through the Finance Department to make sure the reconciliations are completed on a more timely basis.

Mr. Kittle asked about the golf course lesson fees and the resolution.

Ms. Waterhouse explained the golf lesson revenue is now being recognized by City; in the past it was not. Those fees will be reflected in next year's report.

Responding to Mr. Kittle, Ms. Waterhouse explained the apples-to-apples comparison of Exhibit A-2 is shown on Exhibit A-8.

Ms. Bailey noted Exhibit A-2 is GASBE 34 required format, somewhat more difficult to read. To review how the golf course did on an accrual basis, Exhibit A-8 on page 26 better explains it and page 29 is a cash basis.

Mr. Kittle suggested reducing the water and sewer rates.

Mr. Auger noted the City increased the water and sewer fees and has finally broke even or better; however, because of upcoming capital expenditures, the rates should not be reduced at this time as discussed in a workshop session.

Mr. Kittle asked where in the report he could find the City's obligation to Cardell for the golf course as well as the inter-fund capture is posted.

Ms. Waterhouse noted the advances from Cardell is found in Note J, page 49, a disclosure of the \$3.2 million total cash advance that has been received.

Mr. Kittle questioned where he might find the \$1.5 million that was borrowed from the Water & Sewer Fund for the golf course.

Ms. Waterhouse stated that item can be found on page 45, Note G. and does show up as an asset because of inter-fund borrowing and reported in the balance sheet.

Mr. Kittle asked when the pension is 110% funded, is a possible strategy to sell it or pass it off and lock it in to MIRS and forever be done with it.

Ms. Bailey stated that would be a policy decision, it is up to each community.

Mr. Kittle believed a rate could then be locked in and not worry about the fluctuation of the stock market.

Ms. Waterhouse noted the community is still responsible; MIRS would just be administering the plan.

Mr. Kittle noted on page 43 there is a list of long term debt and would like to have the golf course added to the first item, the 2009 bonds, because there isn't a reflection of what the City is using that bond money for.

Ms. Waterhouse agreed and will make sure there is a footnote for future reports.

Mr. Kittle noted on pages 54 and 55 the actuarial assumptions, the COLA as related to retirees was reduced from 5% to 2.5% and salary were increased to 5% and asked if these percentages are overstated.

Ms. Waterhouse stated as discussed with Mr. Auger and Mr. Barnes, these assumptions should be revisited; the 5% may be on the high side.

Mr. Kittle noted the financial report refers to the original budget, the amended budget and the actual budget. The original budget shows a transfer of general to golf course \$1.2 million and the amended budget indicates \$1.55. He doesn't recall getting an amended budget and asked if it was projected at year end.

Mr. Barnes stated the amendment was brought before City Council and was approved.

Mr. Kittle questioned the auditors if there is any methodology of amending the budget.

Ms. Bailey explained the State Budget Act, Public Act 2 of 1968, states a municipality cannot spend dollars unless they have been budgeted. As a practical matter most communities amend the budget after the fact and some don't amend at all and have large negative budget variances. The original budget is a good management tool.

Ms. Waterhouse stated the City is in compliance with the State Act and the budget amendments indicate there were no expenditure variances.

**Moved by Kittle; Seconded by Doyle.**

**RESOLVED: To accept and approve the City's Financial Report with Supplemental Information for the year ending December 31, 2012 and the related communications report as presented by the City's independent auditors, Plante Moran.**

**VOTE: Yes: Doyle, Kittle, Knight, McDaniel, McDonald, Verbeke**

**No: None**

**Motion Carried (6-0)**

**Resolution No. 13.06.111**

## **10. COMMENTS AND MOTIONS FROM COUNCIL**

Mr. Kittle:

- Contacted Beth Bailey, Plante Moran and City Manager Auger, noting everything included in the audit presentation could have been presented in Munetrix, but during the discussion conflict of interest came up. He asked Mr. Beckerleg if using data from Munetrix would be a conflict of interest.

Mr. Beckerleg noted the question does not include all the facts, but the mere fact that it is a Council Members business does not make it a conflict of interest.

Mr. Kittle stated there would be no cost involved to the City. This was offered to Plante Moran, noting Munetrix has similar charts and graphs and some may be better. From a City Council perspective, at one time the Mayor said there would be a workshop to show what this system can do. He appreciated those Council Members who

attended the open house of his business. He doesn't want to be treated like a third class citizen and is proud of what he is doing and displaying the data; and having Auburn Hills be a showcase for a business that is up and coming and having the ability to show the data this way, was an opportunity missed.

Mr. Auger noted there are other issues that play into conflict of interest, including the appearance of impropriety of ensuring one of the City's service providers use a tool that was developed by a City Council Member, could be perceived as a conflict of interest. As far as an opportunity for a Council Member to make money on a product or service using the City, could also be perceived as a conflict of interest. It is a matter of keeping the City above reproach and error on the conservative side.

Mr. Kittle asked where making money comes into play; he never charged the City or Plante Moran.

Mr. Auger replied the comment made about missing a grand opportunity to use the City to demonstrate your product, and if demonstrating that product in public, it is the intent to sell it to someone else, that is where the opportunity to make money is.

Ms. Doyle asked hypothetically if a Council Member owned a business, would that business be allowed to respond to a RFP.

Mr. Beckerleg stated because these questions are being asked in a very general way, he will respond with a general type answer; there is a law relating to contracts of public servants with a municipality which has substantial limitations. He and Mr. Kittle have had numerous conversations regarding this and he has been told depending on the circumstances, it would not necessarily be a legal conflict of interest; but there are so many possibilities and variances, that there is no definite answer without all the information. If Mr. Kittle provided his services for free to the City, then there is probably an arrangement that could be worked out that would be permitted.

Mr. Kittle noted there is a law for communities having a population of under 25,000 a Council person could bid on work. The law was written for smaller communities where a citizen may wear many hats. There is also the morals and ethics side; the money isn't important enough, he would never ask the City to pay.

Mr. Beckerleg noted the Michigan Association of Municipal Attorney's has recently issued a book regarding public ethics; he will give a copy to Mr. Auger. There are ways to allow Mr. Kittle's product that would not be a conflict of interest.

Mr. Knight stated communication is the key; if Mr. Kittle bids to supply a product to the City and is the low bidder, he should have every right to supply that product, provided it is all public knowledge.

Mr. Beckerleg explained there are some laws that state just that. Mr. Kittle is correct when he spoke about the population provision.

Mr. McDaniel understands this is speaking generally, but he would hate for the City not to utilize a resource that Mr. Kittle has provided to the City, free of charge. What he believes is happening is not getting to the point where you can talk about specifics and find out if this would be a conflict of interest or not.

Mr. Beckerleg stated when someone asks him if something is a conflict of interest, it is entirely factually driven; generally speaking it is impossible to answer.

Mr. McDaniel agrees communication is key and the needs to be something done and to speak more specifically to this issue. Mr. Kittle's product is being used by many communities and school districts and for the City not to take advantage of noting this as an Auburn Hills business or taking advantage of the pro-bono work is a disservice to the residents.

Mr. Auger noted Mr. Kittle's service is being used on the City's web page, and has information there for everyone to see, and it is pro-bono. The question wasn't not whether the City can use Mr. Kittle's services or the software he provides, it was to force a company the City pays to use one of the Council Member's services. Through the bid process, the auditor provide a financial picture of the City, and he wants that company to use their software and programs and not to feel obligated to use a Council Member's product.

Mr. McDaniel agrees with Mr. Auger, but he didn't feel Mr. Kittle was forcing the audit company to use his product; he offered the product for use.

Mr. Kittle stated he wasn't forcing anyone to use his product, it was more, wouldn't it be cute to see Munetrix art and graphics in the presentation.

Ms. Doyle suggested this isn't about the City using Munetrix, it is about Mr. Kittle offering Plante Moran to consider using this program. What she is hearing, is that it would be a conflict of interest for Plante Moran to use the software. She asked if there is a way for the City to open the window of possibilities for consideration.

Mr. Auger believes in asking Plante Moran that question, is the conflict of interest. The City pays Plante Moran to provide a service and if the City asks them to use a Council Members service, as the City,

Ms. Doyle agreed, absolutely not, the City should not ask Plante Moran to use those services. Would Mr. Kittle's partner be excluded from making a presentation to Plante Moran to be considered.

Mr. McDaniel believes Mr. Kittle is only asking Plante Moran to take a look at the product to see if presenting the report would be easier.

Ms. Doyle:

- Complimented Mr. Barnes and his team for the tremendous amount of work and to have a very successful audit.
- There has been fantastic media coverage of Auburn Hills; the pictures and articles, including the one that names Auburn Hills as number five in the country for engineering jobs. The City has been doing a good job of getting the news out locally and regionally, but she would like the City to take the next step and have much bigger media coverage.
- In the past, Council had been receiving news releases. She still receives them from the Police, but not the City. She believes Council should be receiving those releases simultaneously with the news media.

Ms. Verbeke:

- Asked Mr. Grice about Joslyn Road, noting a few weeks ago repaving was discussed and not sure when the project would be started and asked for an update  
Mr. Grice stated he doesn't have any updated information to report at this time. He expects to hear something in the next two or three weeks.
- Asked Mr. Auger if staff needed to be directed to draft an ordinance for motor vehicles to stop for pedestrian crossing traffic.  
Mr. Auger stated Director Olko is already working on it.
- Alerted the audience to contact Gov. Snyder's office, by early tomorrow morning, to voice their concern for the Pontiac School district tax of the possibility of the taxes being levied to the residential and business owners at 517-335-7858 and let them know your feelings on the issue.
- Asked Mr. Barnes about the revised budget, and requested a copy be forwarded to her.  
Mr. Barnes noted in addition to the budget increase, there was also a transfer of money from Avon Disposal to the Road Fund and also brought in approximately \$800,000.00 into the Capital Improvements in the General Fund for the acquisition of properties; Mound Steel, Superior Excavating, and some of the smaller properties downtown.  
Ms. Verbeke thanked Mr. Barnes for jogging her memory, recalling the meeting and no longer is in need of the amended budget.

Mr. Knight:

- Was surprised President Russi resigned and suggested the City prepare an exquisite thank you for the dedicated 20 years he spent at Oakland University.
- He too, thanked Mr. Barnes and his team for a well done job on the financial report.
- Reminded everyone of the car show on Saturday as part of Summerfest.
- With the change at Oakland University and the changes being made with the streetscape, he suggested having a benefit concert and splitting the proceeds 50/50 to benefit the City's Foundation and the other to Oakland University's charity; the benefit name would be O.U. in A.H.
- The City no longer uses re-rod under the concrete when pouring roads, according to City Engineers there is no benefit.
- Invited Council and Staff for a picnic lunch as his guests as part of the Cadillac LaSalle Club at the car show.

Mayor McDonald:

- Asked when Squirrel Road construction will be finished.  
Mr. Juidici noted all lanes from M-59 to the downtown will be opened this weekend for Summerfest. After Summerfest the contractors will return to their work and it will be a few more weeks before all the work is completed.
- Confirmed City Council Members will be scooping ice cream Friday night at Summerfest.  
Mr. Auger stated an e-mail will be sent with what time Council should be ready.
- There is a utility pole at Auburn and Juniper Roads, and approximately one foot up from the ground is a large bolt or nail protruding which could be a hazard and should be removed.

**11. CITY ATTORNEY'S REPROT – none.**

**12. CITY MANAGER'S REPORT**

- He received a letter regarding Smart Meters from DTE and in conjunction with the Michigan Public Service Commission, that findings in health related issues is insignificant; however, there is an Opt Out program, with an initial cost of \$67.20 and a \$9.80 monthly fee.

- There will be another court hearing regarding the Pontiac School district Friday and again the following Wednesday.

**13. ADJOURNMENT** The meeting adjourned at 9:57 p.m.