



The City of Auburn Hills

City Council Meeting

Minutes

November 19, 2012

CALL TO ORDER: by Mayor Pro Tem Hammond at 7:00 p.m.
LOCATION: City Council Chamber, 1827 N. Squirrel Road, Auburn Hills, MI 48326
Present: Mayor Pro Tem Hammond, Council Members Doyle, Kittle, Knight, McDaniel, Verbeke
Also Present: City Manager Auger, Assistant City Manager Tanghe, Director Olko, City Clerk Kowal, Finance Director Barnes, Deputy Treasurer Keiser, DPS Deputy Director Grice, City Attorney Beckerleg.
8 Guests

4. APPROVAL OF MINUTES

4a. City Council Meeting – November 12, 2012

Moved by Knight; Seconded by Verbeke.

RESOLVED: To approve the minutes of November 12, 2012 as submitted.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.186

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 & Commission Minutes

7a.1. Planning Commission – September 25, 2012

7a.2. Tax Increment Finance Authority – November 13, 2012

7b. Motion - Adoption of 80/20 Cost Sharing Resolution for Employee Contributions to Healthcare

RESOLVED: To adopt the attached resolution titled: Resolution to Adopt an 80/20 Cost Sharing Model for Employee Contributions to Healthcare Premiums.

Moved by Doyle; Seconded by Knight.

RESOLVED: To approve the Consent Agenda Items 7a. and 7b.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.187

8. OLD BUSINESS - none

9. NEW BUSINESS

9a. Motion – 2012 Tree Planting Bid Approval Recommendation

Mr. Grice explained replacement plantings will take place in various TIFA Districts and new tree planting will be done along the newly constructed section of Shimmons Road to replace some of those older trees that were removed during the construction.

Mr. Grice confirmed for Mr. Knight that some of the new trees will be replacement trees for the dead trees on Squirrel Road. Mr. Grice noted some of the dead trees have already been replaced as part of the warranty work that was done last year. Continuing, Mr. Grice explained typically, there is a 10% loss in new plantings. Every year a tree evaluation is done and it has been determined since so many trees have died along Opdyke Road that there will be no more planted in that specific area.

Ms. Doyle asked why the amount of the bids differs so greatly between bidders.

Mr. Grice explained the differential has been evident for the past few years, and the low bidders have explained they are trying to keep their employees working.

Responding to Ms. Doyle, Mr. Grice stated he wasn't aware of any businesses in Auburn Hills that offer these services, and he wasn't sure if any of the bidders are Oakland County businesses. Continuing, he explained the

bid is put on the MITN web site and is seen by over 248 contractors offering this service; however, he can't explain why Oakland County businesses are not responding. This will be the third consecutive year for Greg Davis Landscape to be doing this work in the City.

Ms. Doyle asked who the City has used in the past consistently.

Mr. Grice stated five or so years ago Marine City Nursery was used; but the City has generally always used the low bidder.

Moved by Knight; Seconded by Verbeke.

RESOLVED: To approve the 2012 Tree Planting Bid as recommended by the TIFA Board of Directors to Greg Davis Landscape of 471 Renaud Road, Grosse Point Woods, MI 48236 in the amount of \$16,050.00.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.188

9b. Motion – Approve 2013 City Council Meeting Schedule

Mr. Knight explained in the past he has preferred not to have a Council meeting in the July 4th week so employees are able to take that time; however, he understands the difficulty the Clerk's Office has when the meeting is moved up a week.

Moved by McDaniel; Seconded by Verbeke.

RESOLVED: To approve the 2013 City Council Meeting Schedule as submitted.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.189

9c. Motion – Accept Investment Earnings Report

George Vitta, Asset Strategies reviewed his Conclusions and Recommendations report of Investment Performance Evaluation for the Third Quarter 2012 as follows:

\$51.0 million of the \$53.0 million of the City's investments is managed by Ambassador and Cutwater and after 2.75 years the results are ahead of expectations. Portfolios are judged by earning returns, liquidity, the safety or credit quality, the results compared to the Manager's benchmark, and how they compare to their peer group. Ambassador has met or exceeded all of those guidelines. The majority of the \$118,000 is third quarter interest earned. The one-year return of the Ambassador portfolio is 0.51%, versus the benchmark return of .07%.

Cutwater is the other investment manager for the City and it too, has met or exceeded all the guidelines. Cutwater added approximately \$303,000 in value, with \$249,077 being interest income. The one-year return for the Cutwater portfolio is 1.28% versus the benchmark return of 0.07%.

Ambassador managed \$25.4 million, or 47.9% of the City's total \$53.00 million of investments, Cutwater managed \$25.7 million, or 48.4% of the City cash portfolio and the Treasurer's Office managed the other 3.7%. The Treasurer's portfolio is generally invested in short-term securities, including Certificates of Deposit at various financial institutions with varying interest rates.

The Federal Funds rate is another means to measure earnings. The Federal Reserve has opted to extend low interest rates from 2013, now through 2015; reflecting what is yet to come.

Mr. Knight asked how Cutwater was able to double the interest rate of Ambassador.

Mr. Vitta explained it is how the manager invests the money; keeping in mind that safety is first, next liquidity and third is income. Cutwater has felt comfortable extending the interest rate risk in a money market like fund; it's not really a risk that you would associate with stock market. There are securities in Ambassador's portfolio issued by Fannie Mae, Freddie Mac, other government agencies. Looking at Ambassador's portfolio they are a much shorter term and therefore much safer relative to interest rates going up.

Ms. Doyle noticed Cutwater seems to invest in more AAA bonds than Ambassador who invests in more AA bonds and asked for an explanation.

Mr. Vitta noted the margin of safety between the AA security and AAA security (only 5 AAA corporations in U.S.), with the United States government being the largest issuer of AAA securities. The perception of risk for the AA rated company is a smidgen higher than the AAA company who is forced to pay a higher interest rate.

Ms. Doyle questioned the insignificance of the two ratings and why then should both ratings be considered.

Mr. Vitta explained with three year maturity, AA security will pay more interest.

Ms. Doyle asked for clarification of why Cutwater's return is twice as much as Ambassador since Ambassador invests in more AA ratings and Cutwater in more AAA ratings.

Mr. Vitta explained if all the securities in the Ambassador portfolio had one year to maturity, and they are rated AA, and all the securities in Cutwater are AAA securities but had two years to maturity, Cutwater would probably yield more income because they are taking a maturity risk. The yield on the securities is a combination of the credit and the time to maturity. Cutwater didn't believe interest rates would go up any time soon, and were comfortable placing a large portion of the portfolio they manage out for the three years.

Ms. Doyle asked if Cutwater is taking a bigger gamble with the AAA securities, than Ambassador with the AA securities, noting the same issue six months ago.

Responding to Ms. Doyle, Mr. Vitta explained Cutwater has been more comfortable taking risks with money market securities for short term liquidation.

Continuing, Mr. Vitta noted the opportunity for earning better returns on AAA, AAA and A securities has decreased markedly; interest rates have fallen in the last six months. Looking at short-term investments, the gap between the two managers has narrowed considerably. The Cutwater securities that were purchased a number of years ago are starting to mature, as those mature they are being invested in very low yielding securities which decrease income opportunity. The trend is toward equalization of income between the two managers and interest rates will continue to be low; also fluctuation in the market will most likely continue.

Responding to Mr. Kittle, Mr. Vitta explained historically the federal reserve starts raising rates in quarter or half point increments generally over a two or three year period if inflation rises; however, there is very little threat of inflation in the next few months. There is no clear analysis as to all of the outcomes if Congress is unsuccessful in coming up with a way to stall the cliff for three to six months. Paychecks for workers will no longer have the 2% social security waived, resulting in less money to spend. Dividends currently taxed at a maximum of 15% will go up to the highest possible rate and will be treated as normal income, rates on long-term capital gains will increase to 200% or 300%; it will not be good for investors. It won't stop investors from investing, but may have an impact on how investors allocate. Economics 101: the first thing will be the spending cuts of over \$100 billion of goods and/or services to the government that a company will lose out on; which eventually means employee pay cuts and tax revenue cuts; all the tax money that would have been made on that \$100 billion. Economists came up with 3% reduction in U.S. economic growth, because there could be \$5 to \$6 billion dollars removed from the economy, leaving less money to spend.

Mr. Kittle asked about the 3.8% property tax that is tied in with the affordable health care act, and if that will slow real estate transactions.

Mr. Vitta explained as he understands it, the life time exemption for homeowners is \$500,000; whatever the current exemption is will still be there and the some are saying the impact of the incremental health care tax is going to hit a much smaller percentage of homeowners; therefore it shouldn't be a major impact on the slowly resurrecting housing industry.

Mr. Kittle, referring to the recession in the early 1980's asked how today is different from then.

Mr. Vitta explained there aren't any anticipated surprises on the inflation front whether it's at the wholesale or producer price level, or at the consumer price level. There are a number of policy tools the Federal Reserve has today that wasn't weren't available 30 years ago to manage interest rates and the flow of money. There is a much better accounting system for the reserves that are held at banks today which should be of great comfort to all of us.

Moved by Verbeke; Seconded by Knight.

RESOLVED: To accept the Investment Performance Analysis report for the quarter ending September 30, 2012.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.190

10. COMMENTS AND MOTIONS FROM COUNCIL

Mr. McDaniel:

- He was questioned over the weekend by a resident who was curious to know why the Fire Department sends out a large fire truck to talk with a resident who is burning leaves as opposed to a patrol car.

Director Olko explained that because people associate fires with the Fire Department and not the Police, fire trucks and personnel are generally sent.

Mr. McDaniel was curious of the cost of sending a fire engine and two fire personnel as opposed to a police officer who is already patrolling in the area.

Director Olko stated she would get back with Mr. McDaniel.

Mr. Kittle:

- Regarding the package of information Mr. Lonier sent to Council Members, he was curious about the meter readings and the charges for the same amount of water being used. Mr. Auger explained there were two 5% increases for the catch-up amounts as well as the Detroit water rate increases.
- Concerning the Open Issues Log and Goals & Objectives, asked if the conclusions from the last workshop would be documented; Mr. Auger stated there would be a minutes/synopsis provided to explain what council discussed. Mr. Kittle had concern of the order of topics for the workshops, and questioned the need to possibly amend the order. Perhaps Council can vote on the next topic to be discussed via e-mail; possible topics to coincide with state and federal government discussions.

City Council discussed the issue and decided to move the starting time to 5:00 p.m. to discuss the list of future workshops for the first half-hour of the December workshop.

Mr. Kittle stated he is interested with the golf course maintenance contract and he would like to see it and have it presented from a strategic point of what is hoped to be accomplished. This is a bigger expense from a longer contract term and he would like to see the bid before it goes out to know what the plan is and possibly have the ability to give input prior to it going out. Mr. Auger noted that when the contract and information is presented to Council, it will detail how the money is spent and how it measures-up to other Michigan golf courses, others in the country as well as private versus public courses.

Mr. Auger expressed concern over bringing every bid proposal to city council prior to bid and the added step.

Mr. Kittle stated he is only concerned with the extended contracts, which are the engineering firm, the legal firm, the golf course, the IT firm, there are five or seven contracts that continuously are extended and he would like the opportunity to review those. The golf course contract will be up for renewal prior to Council's Goals & Objectives discussion regarding the extension of contracts.

Mr. Kittle recommended an executive summary that would answer some of the questions: here's what was considered; here's what is being sought; here's the range of activities, to give Council a semblance of the thoroughness. He would prefer to ask questions prior to the bid going out as opposed to asking the questions after a bid has been received.

Mr. Kittle made a motion to have city council receive an executive summary of the Golf course maintenance bid prior to sending the bid out etc...

Moved by Kittle; Seconded by Doyle.

RESOLVED: To have Administration provide to City Council review an executive summary, including details and strategy, of the golf course maintenance contract and its bid elements prior to the bid being publicly released to any vendors.

VOTE: Yes: Doyle, Kittle, McDaniel, Verbeke

No: Hammond, Knight

Motion Carried (4–2)

RESOLUTION NO. 12.11.191

Ms. Doyle:

- She asked if it was agreed that prioritizing the list to the satisfaction of Council would be discussed at the next workshop and she has a concern of Ms. Verbeke being able to attend at 5:00 p.m.

Mr. McDaniel suggested the workshop begin at 5:30 p.m. as planned.

Ms. Verbeke suggested the workshop be held following the Council meeting.

It was confirmed for Ms. Doyle that the workshop could begin at 5:30 p.m. and if necessary resume after the regular meeting takes place.

Mr. Kittle suggested 5:30 p.m. should be doable, if everyone stays on track.

Ms. Verbeke noted she won't be available at all that evening until approximately 8:00 p.m. She agreed she could send her suggestions.

- Noted she read the letter from Ms. Hayward who appeared at the last Council meeting and hoped Council will discuss leaf burning at a workshop, and suggested a town-hall meeting be held on the subject. As with the single trash hauler issue, working with the residents and listening to their concerns really helped everyone to understand the concerns of different people.

Mr. Auger suggested the strategy be discussed at the workshop.

- Congratulated Chrysler for all their hard work and success, and because of that success the addition of new jobs and investments being made in the U.S.

Ms. Verbeke:

- The discussion regarding the workshops tonight has been a great start and is pleased to the list of concerns from the Survey Monkey. She would like Mr. Auger to notify staff that more than likely there will be changes made to the list.
- Wished everyone a Happy Thanksgiving.

Mr. Knight:

- Noted Chrysler is the largest employer in the City and questioned why the City would purchase GM or Ford products as opposed to an all Chrysler fleet.

Mr. McDaniel noted the City has many tier one suppliers that make parts for GM and Ford, as well as Chrysler and they too are important components of the City.

Mr. Knight agreed; however, Chrysler, by-far is the largest employer.

- Was surprised by the amount of steel and concrete sitting downtown on trailers that will become the parking structure.
- Regarding investments, credit unions are paying more interest than the banks.

Ms. Hammond:

- The workshop on December 3, 2012 will be held at 5:00 p.m.

11. CITY ATTORNEY'S REPORT

- Confirmed for Mr. McDaniel two Council Members may request a special meeting for any item. Mr. Auger also noted, as done this evening, if an item isn't on the agenda it may be brought up under Comments and Motions from Council.

12. CITY MANAGER'S REPORT

- On page 32 of the Michigan Municipal magazine, there is a great picture of the Mayor Pro Tem receiving her Elected Officials Graduate Certificate and two pages later, an article by Steve Cohen about the EV infrastructure.

13. EXECUTIVE SESSION – Personnel Issues

Moved by Knight; Seconded by Verbeke.

RESOLVED: To adjourn to Executive Session to discuss a Personnel issue regarding John Burmeister. The Executive Session was requested by Mr. Burmeister.

VOTE: Yes: Doyle, Hammond, Kittle, Knight, McDaniel, Verbeke

No: None

Motion carried (6-0)

RESOLUTION NO. 12.11.192

Adjourned to Executive Session at 8:28 p.m. Resumed Regular Meeting at 8:49 p.m.

14. ADJOURNMENT

Meeting adjourned at 8:50 p.m.

Resolution No. 12.11.187 (7b.)

City of Auburn Hills

**RESOLUTION TO ADOPT AN 80/20 COST SHARING MODEL
FOR EMPLOYEE CONTRIBUTIONS TO HEALTHCARE PREMIUMS**

WHEREAS, contract provisions with the POLC/Patrol Contract provide for cost sharing in health care and prescription drug plans, and

WHEREAS, for 2012, the Auburn Hills City Council opted out of collecting a share of premium from members of POLC/Patrol, pursuant to the Publicly Funded Health Insurance Contribution Act, Public Act 152 of 2011, with the understanding that such action would not be taken until such time another collective bargaining group was required to do so, and

WHEREAS, the AFSCME collective bargaining agreement expires on December 31, 2012 and therefore, AFSCME members may begin making premium contributions on January 1, 2013, and

WHEREAS, there are four options for employee premium contributions to healthcare and they are:

- 1) Apply the hard cap (capped dollar amount a local government employer may pay toward an employee’s healthcare costs);
- 2) Adopt by majority vote the 80/20% cost-sharing model,
- 3) Elect not to follow the statute/non-compliance,
- 4) Adopt by a two-thirds vote to opt out of the cost-sharing model as set forth in Public Act 152 of 2011 and revisit it prior to the next plan year, and

WHEREAS, staff recommends the 80/20% cost-sharing model whereby the employer shall provide 80% of the premium cost for medical and prescription drug coverage and the employee shall contribute 20% of the premium cost for medical and prescription drug coverage.

NOW, THEREFORE, BE IT RESOLVED, the Auburn Hills City Council elects to comply with the requirements of the Publicly Funded Health Insurance Contribution Act and the requirements of the terms of the collectively bargained agreements by adopting the 80/20% cost-sharing model set forth in Section 4 of the Act with an implementation of premium share collection beginning on January 1, 2013.

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

NAYS: None

ABSENT: Mayor McDonald

ABSTENTIONS: None

Adopted (6-0) Resolution No. 12.11.187(7b.)

STATE OF MICHIGAN)

)SS

COUNTY OF OAKLAND)

I, the undersigned and 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 12th day of November, 2012.

IN WITNESS WHEREOF, I have hereunto affixed my official signature on this 13th day of November, 2012.

Terri Kowal, City Clerk