



The City of Auburn Hills

City Council Meeting

Minutes

June 2, 2014

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, 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 paper 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 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 location is in Sanilac, Livingston, and Hills Dale County’s.

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 a 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, an implied authorization that 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, 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 disingenuous. There are also 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, and give a push to the local legislatures 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 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 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)

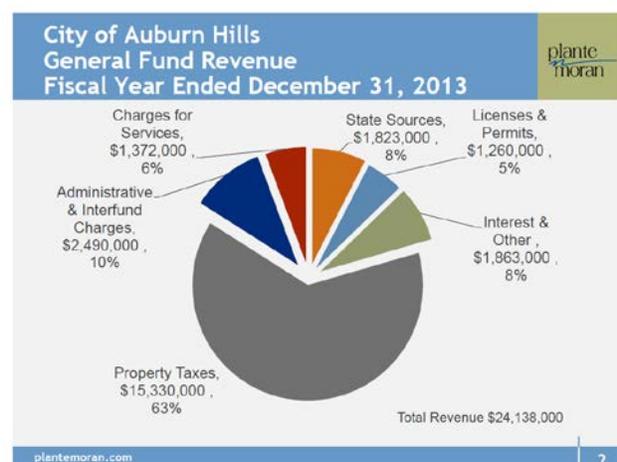
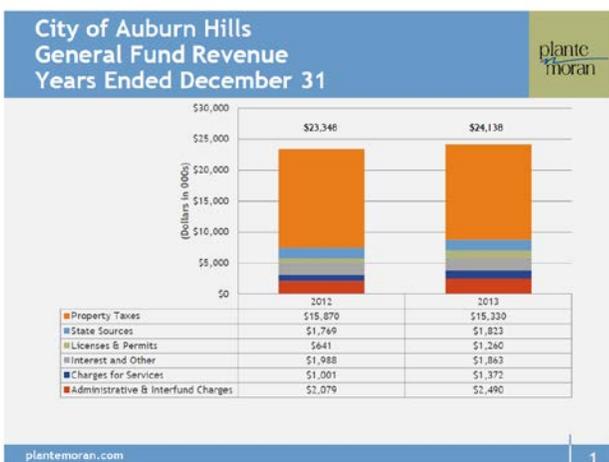
Resolution No. 14.06.105

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.



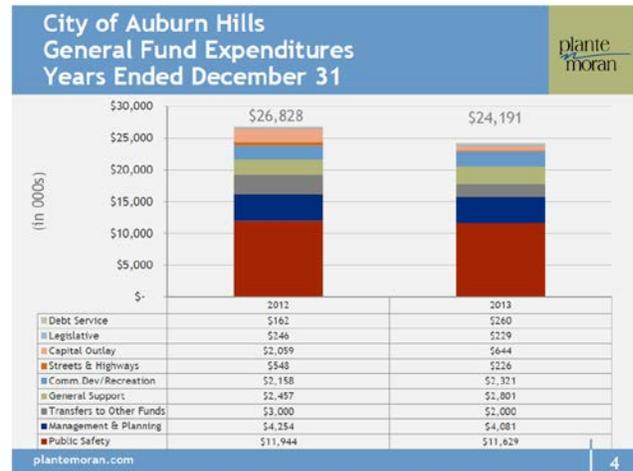
The first two slides focus on the revenue, the first comparing last year to this year; an increase of about 3%. Property taxes dropped in 2013, not an unexpected decline. The Licenses and Permits increased significantly because of the building permits being issued. Charges for Services also increased, 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.

City of Auburn Hills Timing of Property Tax Decreases

Budget Year	12/31/12	12/31/13	12/31/14	* 12/31/15
Assessment date (based on sales from 12-24 months prior)	12/31/10	12/31/11	12/31/12	12/31/13
Levy date	12/1/11	12/1/12	12/1/13	12/1/14
Taxable value (Ad Valorem)	1,788,798,940	1,658,642,745	1,607,575,950	1,615,613,830
Percent increase <decrease>	<8.3%>	<7.3%>	<3.1%>	0.5%

* Based on information from Assessor, prior to BOR and MITT adjustments

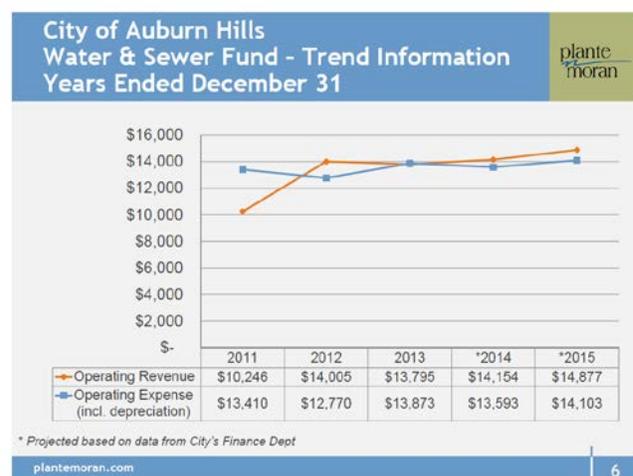
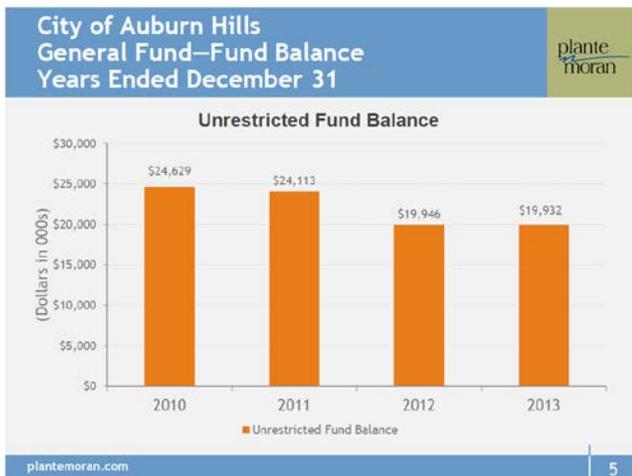


The Timing of Property Tax Decreases gives a historical perspective as well as a future outlook. This demonstrates the lag between the property assessments and when the City records the revenue.

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.



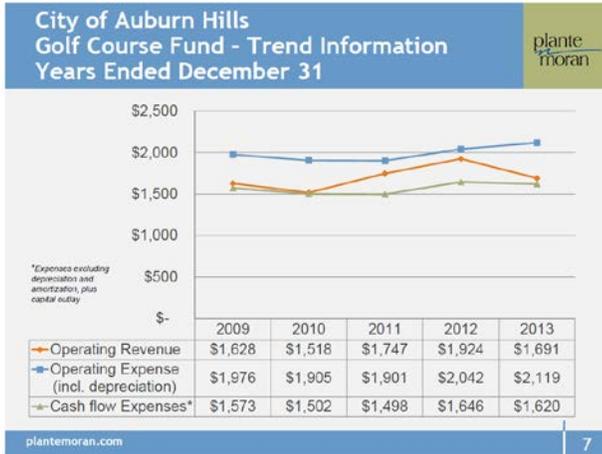
The General Fund – Fund Balance shows the four year trend from 2010 forward to 2013. The Fund Balance for 2012 and 2013 has stayed much the same. The Fund Balance came in nearly \$2 million higher than projected in both 2012 and 2013. Compared with other communities, the City is in very good financial 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 if the compensated absences liability that is carried on the books, is there a ratio that one should fall between or a percentage 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.
- Have had a number of residents ask what happens with all of the plants and flowers the City removes from the planters and gardens at the end of the season. 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 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.

