



The City of Auburn Hills
City Council Meeting
Minutes

June 20, 2016

CALL TO ORDER: 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 Mitchell, Council Members Burmeister, Hammond, Kittle, Knight
Absent: Council Member Verbeke
Also Present: City Manager Tanghe, Assistant City Manager Grice, Police Lt. McDonnell, City Clerk Kowal, Community Development Director Cohen, Assistant City Planner Keenan, Manager of Public Utilities Michling, Finance Director / Treasurer Schulz, Assistant Finance Director / Treasurer Wickenheiser, Director of Authorities Mariuz, Management Assistant Harris, City Engineer Juidici, City Attorney Beckerleg
20 Guests

Mayor McDaniel noted Agenda Item 7b. is removed from this evening's agenda, moving the last two Consent Agenda Items up one number.

4. APPROVAL OF MINUTES

4a. Regular City Council – June 6, 2016

Moved by Knight; Seconded by Mitchell.

RESOLVED: To approve the June 6, 2016 City Council meeting minutes.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.100

Motion Carried (6–0)

b. City Council Workshop – June 6, 2016

Moved by Hammond; Seconded by Mitchell.

RESOLVED: To approve the June 6, 2016 City Council Workshop meeting minutes.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.101

Motion Carried (6–0)

5. APPOINTMENTS AND PRESENTATIONS

5a. Presentation – Interim Cash and Investment Report

George Vitta, Asset Strategies, noted the investments are doing very well; secure and earning a competitive rate of interest. Year-to-date, the City has earned 0.72%. The outside investment manager continues to earn above market return, even after fees and the minimal risk involved.

Mr. Knight is concerned with the return on certificates of deposit.

Mr. Kittle asked for an explanation regarding the Insight Investment box of the report indicating a negative \$629,460.44, for the Net Cash Flow for CY 2016.

Mr. Vitta explained that number represents a reduction or removal of part of the investment portfolio to meet City obligations.

6. PUBLIC COMMENT

Deborah Calhoun-Parker, 35 Hillfield Road, asked Council to consider an ordinance prohibiting the feeding of birds, i.e. turkeys. There are eight to ten turkeys in her backyard and have been there for the last few months, with approximately 17 more turkeys nesting. They are creating a mess in her yard and are continuously noisy. She has contacted numerous agencies with her problem and has used several deterrents as suggested by the Department of Natural Resources. She has also been in contact with Assistant City Manager Grice, who visited her home shortly after receiving her phone call. The DNR advocates that every community have an ordinance prohibiting the feeding of turkeys, because the turkeys lose their natural ability of foraging for their own food, becoming dependent on humans for their food. She has neighbors on either side of her feeding the turkeys, intending to hunt the turkeys with bow and arrows.

Mayor McDaniel thanked Ms. Calhoun-Parker for bringing her concerns to Council, and assured her Council and staff will see what can be done.

Mr. Knight stated feeding of any wild life, including deer, should be investigated and possibly prohibited.

Mr. Burmeister stated the DNR has sanctions against feeding deer.

Ms. Hammond noted all hunting is illegal in the City, and the neighbors should be notified.

7. CONSENT AGENDA

Mr. Knight requested Agenda Item 7a.2., Zoning Board of Appeals minutes be removed from the Consent Agenda.

Mr. Kittle requested Agenda Item 7c., Addition of Bogdahn Group to Asset Strategy Agreement, be removed from the Consent Agenda.

7a. Board and Commission Minutes

7a.1. Brownfield Redevelopment Authority – May 17, 2016

7b. Motion – Receive the Interim Cash and Investment Report

RESOLVED: To receive and file the Interim Cash and Investment Report

Moved by Mitchell; Seconded by Burmeister.

RESOLVED: To approve the Consent Agenda Items 7a.1. and 7b.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.102

Motion Carried (6–0)

7a.2. Zoning Board of Appeals June 9, 2016 Meeting Minutes

Mr. Knight explained at the recent Zoning Board of Appeals meeting, there was a request to allow non-accessory signs identifying the major tenants of the City's largest industrial park. The Board had difficulty understanding the hardship of the request, so the item was tabled to seek alternative ways of allowing the signs.

Mr. Cohen explained after the Zoning Board of Appeals meeting, staff discussed with ZBA Member Ouellette and Mr. Knight, that a Planned Unit Development might be a better option for allowing the signage and the project to proceed. The developer is putting together the proposal and will bring it to the City when ready.

Moved by Knight; Seconded by Hammond.

RESOLVED: To receive the Zoning Board of Appeals, June 9, 2016, meeting minutes, Consent Agenda Item

7a.2.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.103

Motion Carried (6–0)

7c. Motion – Approve Addition of Bogdahn Group to Asset Strategies Agreement

Mr. Kittle, regarding the original contract with Asset Strategies dating back to 2010, asked if this is a five-year contract or open-ended, noting there is a 30-day and out clause.

George Vitta, Asset Strategies, explained the previous contract was a three year contract, but has continued in good faith. Effective July 1, 2016, the Asset Strategies contract will be assigned to the Bogdahn group with the fees remaining the same, with no fixed end date.

Mr. Kittle noted with multi-year contracts, he feels more due diligence is needed as responsible fiduciaries for the City.

Moved by Kittle; Seconded by Burmeister.

RESOLVED: To approve the consent of assignment of the City's investment advisory services agreement with Asset Strategies Portfolio Services to the The Bogdahn Group, effective July 1, 2016.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.104

Motion Carried (6–0)

8. OLD BUSINESS - none

9. NEW BUSINESS

9a. Public Hearing/Motion – Adopt Brownfield Plan for Primary Place

Ms. Mariuz explained this is a Brownfield Plan for Primary Place, David Steuer, developer, took ownership of the property located at the corner of Primary Street and Grey Roads in November, 2014. Over the last several months, staff and consultants have been working to devise a mutually agreeable plan. A solution of full excavation and backfill of the property was suggested as the most economical efficient solution for the property.

This property is an overlay of a Brownfield District and Downtown Development Authority (DDA), both of which are supported by tax increment revenue. It is recommended the Brownfield Redevelopment Authority (BRA) utilize the Local Site Remediation Revolving Fund (LSRRF) loan to repay the developer, based on invoices for eligible activities, to complete the remediation of the site. The BRA will repay itself for the loan through tax increment revenue split between the BRA and DDA. This increases the longevity of the payback period, however, ensures that both the developer, BRA and DDA receive their expected tax increment revenue over the life of the project. The estimated cost of eligible activities is \$346,906 with a 28 year TIF obligation.

Mayor McDaniel opened the public hearing at 7:22 p.m.; hearing no comment, closed the public hearing at 7:23 p.m.

Moved by Kittle; Seconded by Mitchell.

RESOLVED: To approve the resolution approving the Brownfield Plan for Primary Place, LLC, in accordance with Public Act 381.

Mr. Knight stated this is a good example of Brownfield plans generating good results.

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

Resolution No. 16.06.105

Motion Carried (6-0)

9b. Motion – Approve Memorandum Amendment to Dutton Corporate Center Brownfield Plan

Ms. Mariuz explained City Council approved the Dutton Corporate Center Redevelopment Project Brownfield Plan in October 2002. Tax increment revenue capture began in 2003. The eligible property and the developer were party to legal proceedings related to the default of tax payments and terms of the Reimbursement Agreement for the last several years. Throughout the legal proceedings, the Brownfield Redevelopment Authority (BRA), continued to legally capture State and local tax increment revenue. This amendment requests the original plan be amended to allow the deposit of captured tax increment revenue into its Local Site Remediation Revolving Fund (LSRRF) in accordance with Public Act 381.

The Amendment changes of the original Brownfield Plan:

- 7.1, C Description of Costs to be paid for with Tax Increment Revenues and Summary of Eligible Activities
- 7.5 Duration of the Brownfield Plan (MCL 125.2663(1)(E))
- 7.12 Description of Proposed Use of Local Site Remediation Revolving Fund (MCL 125.2663(1)(L))

The original plan did not allow capture for Local Site Remediation Revolving Fund (LSRRF). The plan when adopted, suggested the clean-up costs would be less. To date, the BRA has received roughly \$1 million from the State, in excess of what was approved. The best way to utilize this funding is to deposit the exceeded amount into the LSRRF, continuing to clean Brownfield sites and encourage development.

Mr. Kittle clarified that the 28 year tax capture, with the first payee being the developer that first began the project and after those payments have been reimbursed, then the tax captures go to the City.

Ms. Mariuz stated the developer has been receiving funds for the eligible activities; this is in excess to those funds. The plan expires after 30 years.

Moved by Burmeister; Seconded by Hammond.

RESOLVED: To approve the memorandum amendment to the Brownfield Plan for Dutton Corporate Center.

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

Resolution No. 16.06.106

Motion Carried (6-0)

9c. Motion – Approve Combined PUD Step One and Step Two / Five Points of Auburn Hills

Mr. Cohen explained this is a request from Beztak Companies to develop a 178 unit luxury apartment complex at 3300 Five Points Drives. The estimated investment cost is \$25 million. This was the site of the seven story, Embassy Suites Hotel, in 1999 and the Auburn Financial Center, proposed in 2005.

Proposed is multi-family residential, a deviation from the zoning district, seeking PUD approval. The PUD will also help with the parking requirements, building setbacks and greenbelts. Allowing this flexibility, the City benefits from attractive housing, an east/west pedestrian corridor, and diversifies the land use within the commercial district. This will bring people to this area at night and on the weekends, which will benefit and support the nearby businesses.

Amenities include a club house, fitness center, a pool, covered parking and a pocket-park.

Responding to Mr. Kittle, Mr. Cohen explained there is a recorded shared parking / cross access agreement with the adjacent properties within the Five Points Site Condominium, if needed.

Samuel Beznos, representing Beztak Companies, explained this is a joint venture between Beztak and Group 10. These will be high-end luxury apartments, not student housing.

Mark Highland, representing Alexander Bogaerts Architect, explained all of the residents will have direct access to the common area, as well as links to the commercial area. He explained the materials and colors that will be used on the exterior of buildings will fit well with the existing buildings. There will be one, two, and three bedroom apartments available, as well as parking choices.

Mr. Beznos stated one parking space is included in the rent price, however, a few garages will be available at an additional cost.

Mr. Knight noted it will be difficult to rent these apartment to families, because of the school district. He hopes the target market is not those of young families. He also has some concerns with the steep prices, \$1,400 for a one bedroom apartment is on the high side. He asked from where the tenants to occupy these apartments will be found, he is quite concerned.

Mr. Beznos explained there will only be nine, three bedroom apartments. The one bedroom apartment rates begin at \$1,200, and the two bedroom apartments begin at \$1,400. Many times the two bedroom apartment have only one tenant; many people now work from home so there is the need for a home office. Another benefit is there have been no new apartments

built in the area for quite a few years. There has also been a demand in the metro Detroit area for new apartments. Pets will also be allowed, limiting the number and breeds.

Mr. Cohen assured Ms. Hammond that the public participation notices were sent to all property owners within 1,000 feet of this proposed project, including those residents on Joswick. A public hearing was held and only one household had any comments.

Ms. Mitchell asked what the target tenant looks like, demographically.

Mr. Beznos explained as a company, they have a large business for corporate clients; minimally 10% of the project, target corporate clients with furnished apartments. He believes there is a large number of young professionals that will be interested in these apartments as well as international individuals who are here working on assignment. He doesn't see students from Oakland University living here, but possibly professors or university staff. Their company has an average turnover of 35% per year, though the national average is 55%. He would guess the turnover per year will be about 50%.

Mr. Burmeister is happy to see this development and the economic boost it will give to the local restaurants as well as the City.

Mr. Kittle noted there is contradiction in the number of units that will be furnished, corporate units. He asked for clarification.

Mr. Beznos explained the majority of properties the company owns generally has between 10% and 20% available furnished units. The number is also based on demand, there may be times 20% is exceeded. He also confirmed the exterior finishes are high end, no vinyl siding.

Mr. Knight asked if there are restrictions on tenant turnover in an apartment; using the unit more like a hotel room with a tenant turnover every two or three days.

Mr. Beznos stated there is no sub-leasing of apartments. There are two types of corporate leasing; the referral from the employer to his apartments or a company leasing for clients with the company as the leaseholder. Regardless of the corporate lease type, it is always the occupant that will be checked and have their name associated with the lease.

Groundbreaking hopefully will begin this fall and all building construction will be complete prior to any occupants moving in.

Mr. Beznos confirmed for Mr. Burmeister, skilled trade's people are difficult to find, especially in Michigan. His company has very good relationships and has been building in Michigan for a long time, so he has good connections. Currently construction is under way on 100 units in Canton, as well as renovations in Rochester Hills.

Moved by Mitchell; Seconded by Burmeister.

RESOLVED: To accept the Planning Commission's recommendation and approve the Combined PUD Step One – Concept Plan and PUD Step Two – Site Plan approval for Five Points of Auburn Hills subject to the conditions of the administrative review team.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.107

Motion Carried (6-0)

9d. Motion – Approve Special Land Use Permit / Rochester Mills Production Brewery

Mr. Keenan explained this is a Special Land Use Permit request, seeking approval to allow a tasting room at Rochester Mills Production Brewery, located on Lapeer West Road. The site is zoned I-1, Light Industrial. The proposed tasting room will provide Rochester Mills the opportunity to educate consumers about their products and brewing process, as well as selling the products. The food offered to the public will be limited to pre-packaged snacks. Hours of operation will be Monday – Thursday: 5:00 p.m. to 10:00 p.m.; Friday: 5:00 p.m. to 11:00 p.m.; Saturday: 3:00 p.m. to 11:00 p.m.; and Sunday: 12:00 p.m. to 6:00 p.m. The number of parking spaces exceed the required amount.

Eric Briggeman, brewery partner, explained this operation is entering its fourth year at this location. Comments made during private tours of the brewery prompted this request for a tasting room. There are no plans to expand the tasting room size or to put in a restaurant. The focal point of this facility is production and distribution of the beer.

Ms. Hammond asked if the beer samples are purchased and if a liquor license is needed.

Mr. Briggeman stated the brewer's license covers the sampling; only what is produced on site can be sold.

Responding to Mr. Burmeister, Mr. Briggeman stated there currently is not any signage for the brewery. If this request is approved, signage will be investigated.

Mayor McDaniel asked if the brewery can be rented out for parties and have the event catered by an outside source.

Mr. Briggeman stated there has been a few groups renting the space, and yes, it can be catered.

Mr. Keenan confirmed there is ample parking for tap room guests as well employees; there are 20 more spaces than what is required.

Moved by Burmeister; Seconded by Hammond.

RESOLVED: To accept the Planning Commission's recommendation and approve the Special Land Use Permit for Rochester Mills Production Brewery to allow a tasting room in the existing industrial building located at 3275 Lapeer West Road subject to the administrative review team's conditions.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.108

Motion Carried (6-0)

9e. Motion – Approve Special Land Use Permit and Site Plan / Panda Express Restaurant

Mr. Cohen stated this is a request from Panda Restaurant Group, to construct a Panda Express with a drive-through and outside seating, just north of the Meijer garden center. The Special Land Use is required because of the drive-through and outside seating, and meets all the ordinance requirements. Constructing this type of restaurant in a parking lot is typical throughout the area, maximizing parking lots. This project received approval from the Zoning Board of Appeals, allowing the elimination of 94 parking spaces from the Meijer parking lot.

Responding to Mr. Kittle, Mr. Cohen explained the City's parking requirements for large box stores is higher than the national standard. A parking study was conducted and there is still more than enough parking spaces for the store. There is 30+ parking spaces available for the Panda Express, exceeding the required amount, as well as adequate stacking for the drive through. The restaurant is geared towards drive-through, so the building itself is quite small.

Mr. Knight had concerns regarding the drive-through lane; once you are in line there is no other exit than to wait in line.

Mr. Cohen stated this parking lot and drive-through lane design meets the ordinance requirements.

Richard Procanik, project manager at Greenberg-Farrow, representing Panda Express, introduced himself. If all goes as planned, construction should begin in September and be done by the end of the year.

Moved by Kittle; Seconded by Knight.

RESOLVED: To accept the Planning Commission's recommendation and approve the Special Land Use Permit and Site Plan for Panda Express Restaurant subject to the administrative review team's conditions.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.109

Motion Carried (6-0)

9f. Motion – Approve Special Land Use Permit and Site Plan / Auburn Crossing

Mr. Keenan stated this is a request from Auburn Crossing Associates, to renovate the existing retail center located between University Drive and Pontiac Road. The site is zoned B-2, General Business district. The plans call for demolishing the western portion of the existing building and eliminating an access drive along Pontiac Road, nearest the curve. The Police Department has approved the removal of the access point. There will be improvements made to the remaining building façade.

New construction is proposed, closer to University Drive, which will have a drive-through facility with outdoor seating, requiring a Special Land Use permit. A wall is being provided to help screen vehicles for the residential properties located on the north side of Pontiac Road.

Groundbreaking will begin in July, with project completion in the first quarter of 2017. The estimated cost of the project is \$4.95 million.

Mr. Knight is concerned the residents on Pontiac Road will continue to look at the back of buildings that have less than desirable views.

Kendall Lynchey, Auburn Crossings, LLC, explained the existing building will be upgraded, but he isn't sure of the design or materials. The façade as well as the entire site will be updated in a class A manor.

Mr. Knight stated he wants to see a rendering of the back side of the building.

Mark Drain, Rogvoy Architects, explained the back of the building will be painted, the doors will be changed, and a full screen, decorative metal, will be constructed on top of the wall to screen the rooftop equipment. The dumpster area will also be updated and fully screened.

Ms. Hammond asked how many businesses will be displaced once the demolition begins.

Mr. Lynchey stated one business has a lease expiring and there isn't a space available for that business. There are new tenants waiting to move in. The new construction will open, with 100% occupancy.

Mr. Drain noted the trees along the north side of the building, Pontiac Road, will be Snow Crab trees.

Mr. Keenan stated a resident called the office with concerns about this development, and their fears were put to rest, hearing about the additional screening wall and the rooftop equipment screening, as well as the new façade. He also confirmed the parking lot will also be redone.

Moved by Mitchell; Seconded by Kittle.

RESOLVED: To accept the Planning Commission's recommendation and approve the Special Land Use Permit and Site Plan for Auburn Crossing subject to the administrative review team's conditions.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.110

Motion Carried (6-0)

9g. Motion - Acceptance of the 2015 Audit

Michelle Watterworth, Plante Moran, explained the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Adopting this statement resulted in a net pension liability recognized in the governmental activities, business-type activities, the Water and Sewer Fund, and the Fieldstone Golf club. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. The City had to recognize its unfunded pension obligation as a liability on the government-wide financial statement of \$24.4 million. Recording this liability significantly reduced the City’s unrestricted net position. In a few years, this will also apply to the retiree health care.

As of December 31, 2016, the City’s governmental funds reported a combined fund balance of \$23.6 million, a decrease of approximately \$2 million from December 31, 2014. The decrease was primarily attributed to transfers to support business type activities as well as road improvements. Despite these two things, the City remains in very good financial condition.

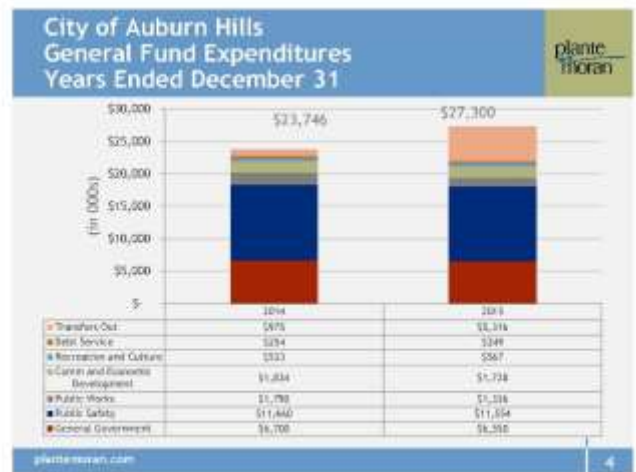
Justin Kolbow provided the following PowerPoint presentation:

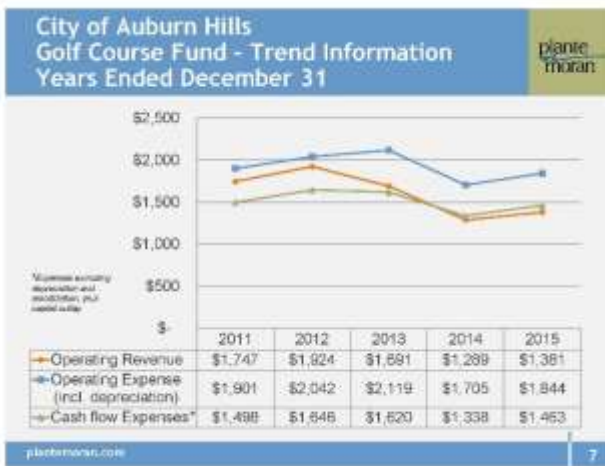
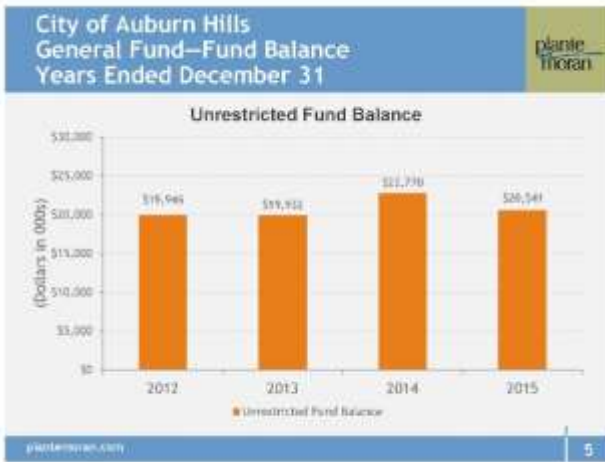


Regarding Proceeds from Sales of Assets, Mr. Kolbow explained was the sale of Forester Square properties.

Budget Year	12/31/14	12/31/15	12/31/16	* 12/31/17
Assessment date (based on sales from 12-24 month prior)	12/31/12	12/31/13	12/31/14	12/31/15
Levy date	12/1/13	12/1/14	12/1/15	12/1/16
Taxable value (Effective/equivalent total taxable value)	1,485,060,000	1,479,600,000	1,523,408,300	1,437,898,000
Percent increase <decrease>	<-1.86%>	<-0.57%>	2.9%	<-5.6%>

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





Mr. Kittle noted the golf course revenue for years 2014 and 2015 exclude the food and beverage sales; that is when both were outsourced.

Ms. Watterworth explained the auditor’s opinion for the financial statements is unmodified or unqualified, the opinion that the City should be aiming for. This is the highest level of assurance that can be had on financial statements, meaning the financial statements have been audited and they are materially accurate.

Professional standards require the following information be provided related to the audit, which is divided into the following sections: Section I - Internal Control Related Matters Identified in an Audit; Section II - Required Communications with Those Charged with Governance; and Section III - Legislative and Informational Items.

Section I includes any deficiencies observed in the City’s accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the City’s accounting policies and internal control.

The following are considered deficiencies in the City’s internal control to be material weaknesses:

- Auditor-identified journal entries were posted to the City’s financial records during the audit. The entries were needed to adjust year-end balances to be in conformity with generally accepted accounting principles. The journal entries were related to adjustments that are normally only posted at the end of year, such as accounts payable, prepaid assets, and capital contributions. The result of not identifying or correcting these misstatements could have resulted in a material misstatement of the financial statements.
- The goal of a strong internal control system includes both preventative and detective controls. Preventative controls serve to mitigate the risk that errors or irregularities occur. Detective controls are designed to find errors or irregularities after they have occurred. As it relates to the City’s investments, it is important to have both strong detective as well as strong preventative controls. The City has gone to great lengths to ensure that appropriate detective controls exist such that, should an error occur, it would be detected on a timely basis. There are some investment accounts, however, that don’t have strong preventative controls. The City is now working closely with their banking relationships to identify where further preventative controls could be put in place to ensure the safe keeping of the City’s assets.

Ms. Watterworth confirmed for Mr. Kittle, that Ms. Schulz is aware of the issues and is working diligently to make corrections.

Responding to Mr. Knight, Ms. Watterworth stated yes, the bank account balances are checked during the audit process.

During the analysis of the City's Water and Sewer fund, the City's water loss significantly spike this year compared to historical trends. The spike in water loss that occurred during 2015 had not been previously identified by the City and, upon further investigation, is still unknown in origin. A spike in water loss could signal several things aside from a potential main break, including an error in billings to the City or an error in billings to the City's customers. The result of fluctuations in the water loss could result in a material misstatement of the financial statements if the cause is not properly identified. It is advised for the City to closely monitor water loss and follow up when significant variations are identified. The loss rose to 14%, up from the customary 6% to 7% and suggest it be monitored monthly.

Ms. Mitchell asked if the water loss began at the start of NOCWA.

Mr. Michling stated that shouldn't affect the water loss.

Continuing, Ms. Watterworth reviewed Section II, the required communication with City Council, specifically, the earlier mentioned accounting changes of the City adopting GASB 68. Related to that also are the accounting estimates, two of which have an impact on the financial statements. They are the estimated net pension liability/OPEB asset and related assumptions linked to the pension and retiree healthcare funds. The long-term assumed rate of return was changed from 7.5% to 6.05%, ensuring the City remained in compliance with GASB standards.

Beth Bialy reviewed Section III – Legislative and Informational Items

Financial Outlook – The City has experienced several years of overall revenue decline. A review of the major revenue sources shows that:

- Property taxes have declined due to decreases in taxable value. Property tax revenue decreased by approximately 0.60% in 2015. Looking forward, it is expected taxable value to increase slightly for calendar year 2016, and then decrease by about 4% the following year. In monitoring this revenue source, the future taxable value increases will be limited to the lesser of 5% or inflations, so even if home sales increase at a faster rate, the property taxes will be held to the lower amount.
- State shared revenue was starting to show some modest increases but then sales tax revenue for the State's fiscal year ending September 30, 2016 is coming in lower than expected, which will impact the constitutional revenue sharing.
- Over the last several years, building permits have rebounded somewhat, which may signify continued strengthening of the taxable value base.
- Interest income and most other revenue, it seems, have not fully rebounded.

Legacy costs GASB 68 requires the City puts the unfunded pension liability, the liability of the benefit promise, minus the assets set aside, the difference between the two is about \$26 million. There is now a \$26 million liability showing on the government wide financial statement. There is another new GASB that is very similar that related to the retiree health care, which will be required to be included in the government wide financial statement in the years to come. For the City, it will be about an unfunded \$15.5 million liability.

State share revenue will be very flat, or a very small increase at best. There continues to be a lot of hoops to jump through to receive the CVTRS portion, which is approximately \$56,000 of the \$1.7 million of revenue sharing.

The personal property tax reform resulted with the creation of a new Local Community Stabilization Authority (LCSA) that will receive money from two sources:

- Use tax: The legislation includes specific amounts of the use tax that will be diverted from the State's General Fund to the new LCSA; and
- Essential Services Assessment: manufacturers will pay a 'local community essential services assessment' to the LCSA based on the value of their exempt manufacturing property. The rate is set at 2.4 mill for a property's first five years; then 1.25 mills for the next five; then 0.9 mills thereafter.

Any time in the past when the City spent over \$500,000 of federal grant money, a compliance audit was required; that requirement has been changed to \$750,000.

Public Act 298 allows the Michigan Department of Transportation (MDOT) to conduct performance audits; these audits are to be conducted by the municipality's CPA. MDOT auditors have determined that because time cards support the amounts billed for labor, equipment, and materials that cost allocation plans are not acceptable and therefore labor costs must be based on actual time, which can be verified by signed and approved time cards.

Given the fact that many cost allocation methodologies were implemented many years ago, it would be prudent to revisit the current methodologies to ensure that any administrative charges are fully substantiated.

Ms. Mitchell asked how frequently the processes should be evaluated and if there was something specific that stood out for this recommendation.

Ms. Bialy stated idealistically the methodologies should be reviewed as part of the budget process.

Ms. Watterworth explained the administrative charges have been challenged across the State. Auburn Hills has a very robust allocation formula and very good backup.

Mr. Kittle asked about the comment in paragraph two of the PA 298 on page 13; 'These procedures will be focused on evaluating the procedures the City puts in place to ensure it complies with the requirements of Public Act 51, and we will issue a separate report for this engagement. He asked what this means.

Ms. Watterworth explained the State requires a separate audit of the City's compliance spending of major and local street funds under Act 51. This is not an audit that is currently being done.

Ms. Bialy what that performance audit will entail, is still being worked out by the State.

Moved by Mitchell; Seconded by Kittle.

RESOLVED: To accept and approve the City's Financial Report with Supplemental Information for the year ending December 31, 2015 and the related communications letter as presented by the City's independent auditors, Plante Moran.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.111

Motion Carried (6-0)

9h. Motion – Approve contract for Audits / Plante Moran

Mr. Kittle requested to abstain from this vote due to an outside business relationship with Plante Moran.

Moved by Burmeister; Seconded by Hammond.

RESOLVED: To allow Council Member Kittle to abstain from voting on a contract for Plante Moran due to an outside business relationship.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.112

Motion Carried (6-0)

Ms. Schulz, explained the current contract with Plante Moran expired with the 2015 audit. Plante Moran submitted a proposal that assists the City in achieving desired cost containment, for five years. This renewal is recommended. There is something to be said about the level of service received from Plante Moran, including advising staff on a whole host of issues related to best practices, reporting, implementation, and legislative changes throughout the year. That kind of value-added service provides City staff with necessary additional guidance.

Moved by Knight; Seconded by Burmeister.

RESOLVED: To approve the audit services proposal from Plante Moran for services contained in the proposal dated April 25, 2016, for a five year period at the flat rate of \$57,000 annually plus an annual fee of \$6,800 for preparation of the City's financial statements. Furthermore, authorize the City Manager to accept the proposal on behalf of the City in a form acceptable to the City Attorney.

Ms. Mitchell explained from a process standpoint, she believes there should be procedures in place where bids are required for contracts such as this when they expire. If only using judgement to renew a contract, she agrees there are such situations, but she would like to see structure and definition of when judgement can be used and make sure it is consistent for all contracts. She has no concern with the level of work in Plante Moran, however, she cannot support this motion.

Mr. Knight understands there has been discussion regarding bidding contracts for major services, but this contract is a \$65,000 expenditure. He understands Plante Moran does more auditing than any other firm in the State and has been very cooperative with the City through the years. He agrees bidding should be done with some contracts, but doesn't believe this to be one of those contracts.

Ms. Hammond questioned whether this contract should have been bid or not, she based her decision on some of the emails that were sent last week. She is pleased with Plante Moran's work and will support this motion, but would like to discuss contracts at the Goals and Objectives workshop.

Mayor McDaniel stated he appreciates all the comments made, but he is pleased with all the due diligence put into this proposal by Mr. Tanghe and Ms. Schulz. It is not always the bottom line that matters, it is all of the assistance and quick response time that is offered.

VOTE: Yes: Burmeister, Hammond, Knight, McDaniel

No: Mitchell

Abstain: Kittle

Resolution No. 16.06.113

Motion Carried (4-1-1)

9i. Motion – Approve contract for Woodlands Consultant / Site Specific, Inc.

Mr. Keenan explained Eric A. Olson, PLLC served as the City's Woodlands Consultant for 12 years. A mutual agreement for a new contract could not be reached. In February 2016, staff began the process of finding three reputable firms with woodland consulting experience. Three firms were contacted and submitted Qualification Packet: ASTI Environmental,

King & MacGregor Environmental, Inc., and Site Specific, Inc. After the Ad-Hoc committee reviewed each applicant, it was decided the best fit would be Julie Stachecki, President and owner of Site Specific, Inc. Ms. Stachecki demonstrated a superior understanding of the City's Woodlands Ordinance and its goals. The committee liked her willingness to be a productive part of the team and her wish to make the City better.

Ms. Hammond noted Ms. Stachecki had familiarized herself with the City ordinance when interviewed and offered some recommendations on how the ordinance can be improved.

Julie Stachecki introduced herself, and explained she had done some research on the City by talking with developers and was pleased hearing how easy the City is to work with and how proactive the City is with development. She is very passionate about trees. She looks forward to a good working relationship with the City.

Moved by Mitchell; Seconded by Knight.

RESOLVED: To award the contract for Woodlands Consultant Services to Site Specific, Inc. and authorize the City Manager to execute the agreement on behalf of the City.

VOTE: Yes: Burmeister, Hammond, Kittle, Knight, McDaniel, Mitchell

No: None

Resolution No. 16.06.114

Motion Carried (6-0)

10. COMMENTS AND MOTIONS FROM COUNCIL

Mayor McDaniel:

- Reminded everyone the downtown will be closed to traffic, Friday, June 24th through Saturday, June 25th for the Summerfest. City Council Members are asked to arrive at 5:45 p.m., to get ready for scooping ice cream at 6:00 p.m., on Friday. This Summerfest is bigger and better than ever with music and champion teams competing in a bbq cook-off. He invited all the residents to enjoy the Summerfest as well as members of neighboring communities.

Ms. Hammond:

- Asked if the height of the new concrete that was poured downtown will remain as is, it looks like it could be dangerous if someone isn't paying attention to where they are walking.
Mr. Juidici explained brick pavers have been ordered to lay on top of the poured concrete to match the existing pavers. If the pavers are not delivered prior to Summerfest, the contractor will be using slag to fill in the space temporarily.

Mr. Knight:

- Asked if the road work on Auburn Road will be cleaned up for Summerfest.
Mr. Michling stated the barrels will be removed, but the striping will not be done before Summerfest.
Mr. Knight questioned removing the barrels if the striping isn't done, there is a significant change for traffic.
- The lane markings at the corner of Squirrel Road at Auburn Road, turning right at Sweet's there needs to be right side marking when turning right onto Auburn Road. If the turn is cut short, the vehicle is turning into a parking space.
- Asked if there were modifications for the Starbuck's site plan for an additional access point.
Mr. Tanghe stated the current curb cut will be the utilized, at the north end of the site. There will not be a curb cut in the deceleration, right-turn lane.
Mr. Cohen explained there were some difficulties with another curb cut, including the moving of utility poles as well as some other costs that couldn't be justified, so the developer opted to not move forward with an additional curb cut.
- Invited everyone to visit him Saturday, as a representative for the LaSalle car show, being held at the the gazebo in the park for a bbq.
- Thursday afternoon, the Beautification Advisory Commission is hosting beautification groups from all over the southeastern area of Michigan.

Mr. Kittle:

- Thanked Mr. Knight for mentioning the Beautification Advisory Commission event being held at Fieldstone Golf Club.
- Appreciates Ms. Hammond mentioning the need to discuss City contracts at the Goals and Objectives workshop. He would like to include in the discussion, the benefits of one-year extension options.

Mr. Burmeister:

- Asked if there have any major incidents with the diverging diamond. It appears that traffic moves quite well.
Lt. McDonnell stated there hasn't been any issues since the initial opening of the exchange.

Ms. Mitchell:

- Expressed her appreciation to Senior Director Adcock for going above and beyond assisting a senior resident with an issue.
- Was pleased to hear Assistant City Manager Grice arrived at Ms. Calhoun-Parker's residence, within 10 minutes of her speaking with him. She thanked Mr. Grice for responding so quickly.
- Asked if there is anything that can be done with discouraging the feeding of wild life, she would like to know how or if neighboring communities have any ordinances and who will do the enforcing; City staff or the DNR.
Mr. Burmeister believes Rochester Hills has an ordinance regarding the feeding of turkeys.
- Noted the number of favorable comments she gets regarding the signage on the I-75, diverging diamond bridge.

11. CITY ATTORNEY'S REPORT – none

12. CITY MANAGER'S REPORT

- Reminded everyone, next Monday, June 27, 2016, is City Council's annual Goals and Objectives workshop at the Public Safety Building's Community Room at 5:30 p.m.
- Thanked the Tax Increment Finance Authority for sponsoring the first ever, small business picnic. It was held at Riverside Park on June 10, 2016. The picnic was held in conjunction with City Departments and the Chamber of Commerce.
- Tonight, there was over \$30 million of new investment of site plans approved.

13. ADJOURNMENT

Hearing no objections, the meeting adjourned at 9:42 p.m.

Kevin R. McDaniel, Mayor

Terri Kowal, City Clerk