

**CITY OF WIXOM
49045 PONTIAC TRAIL
REGULAR CITY COUNCIL MEETING MINUTES
TUESDAY, DECEMBER 12, 2017**

Mayor Hinkley called the meeting to order at 7:01 p.m. at which time the Pledge of Allegiance was recited.

Present:

Mayor: K. Hinkley
Deputy Mayor: R. Ziegler
Councilmembers: P. Beagle
K. Gottschall
N. Kennedy
T. Rzezniak
R. Smiley

AGENDA CHANGES: (None)

PRESENTATION:

1.) Presentation of Fiscal Year 2016-2017 City of Wixom Financial Audit

Mr. Brown introduced Doug Bohrer and Nicolette Acho from Plante Moran.

Mr. Bohrer thanked the Council and appreciated the opportunity to present the audit. He is newer to Wixom, as Joe Heffernan is now on retirement hiatus. He thanked Mr. Brown and Ms. Stamper, as well as their departments, for being helpful and instrumental during this process.

The audit process begins in August where they go through some of their initial planning and analytical reviews with the City staff. The field work is done in late October and they present the audit in December. He encouraged the Council to look at the Management Discussion and Analysis because it has a lot of good analysis of the completed audit year as well as some items concerning economic factors affecting the year that we are in now.

Mr. Bohrer said he looked at what the City invested this year in the infrastructure, equipment and water and sewer lines, which totaled at around \$5.5 million. Last year, that number was around \$4.6 million. Over the last two years, we have invested over \$10 million in the infrastructure. That is ahead of the pace of the depreciation on those assets, which is a good indicator of fiscal health. We were able to do that without actually incurring any additional debt. This year, we paid down \$1.5 million more of the debt that was outstanding which was consistent with what we did last year. The City did manage within its budget. The revenues were very close to what the final amended budget was and the expenditures came in around 5% below the final amended budget. The City's pension funding improved about 2%. The legacy costs really are the main challenge here, which is not uncommon for that to be the case. In regard to OPEB, as of June 2014, we were about 54% funded. When he looked at the 47 communities in Oakland County, 62% of them are funded less than 40%, while 23% are funded above 60%.

Mr. Bohrer asked the Council to take a look at the End of Audit Letter that was included in their packet. This letter lays out the auditor's and the City's responsibilities with the audit.

Page 2 shows the Internal Control Related Matters Identified in the Audit and there were two. One was a repeat item. They have talked with Mr. Brown and Ms. Stamper and he knows they have some actions in place to address these. The first one is a segregation of duties matter. Ms. Stamper has complete administrative access to all matters within the City's IT system. Typically, you would like to limit the all-administrative access to IT personnel. The Finance Directors typically do need to have significant access to the system, but there are some things that you would like to be read only. They didn't find any issues of improprieties in terms of the audit but there was the segregation matter that does need to be addressed.

The second item related to a couple of journal entries associated with the audit. If they identify any journal entries that are significant in nature, they have to classify those either as significant deficiencies or material weaknesses. There is a very small threshold in terms of what falls under that. There were two entries that they identified as part of the audit. Both were non-recurring items. The first one had to do with the SAW Grant that we drew down on. That is recorded in an enterprise fund so as soon as we have actually incurred those costs and requested the reimbursement, the revenue and receivable need to be recorded. It is not a cash-basis grant.

Mayor Hinkley wondered even though we were not using that grant within that fiscal year if it still needed to be recorded like that. Mr. Bohrer replied yes. It should be recorded when it is earned.

Councilmember Kennedy asked what the threshold was for "significant." Mr. Bohrer replied that it is entries about \$15,000.

Mr. Bohrer stated that the second item related to an item that we had budgeted for and that was to use the LDFA funds to pay for some road improvements. The LDFA did do that and it was recorded just fine within the LDFA fund. On the government-wide statements, which are the accrual base statements, they need to be recorded as contributed capital.

He indicated that Page 3 walks through some of the responsibilities for the audit (identifying risk, internal controls, etc.). There was one new disclosure in the statements this year that was required and that was related to tax abatements. Those totaled roughly \$90,000.

The financial statements do have estimates in them. The two most sensitive estimates that they take a look at are the assumptions associated with the actuarial computations from both the pension liability and the post-employment health care liability. Mr. Bohrer indicated that they found those all to be reasonable.

Page 4 of the letter shows there were no disagreements with management and no uncorrected statements that didn't get recorded. Overall the audit went as planned. The rest of the letter describes a couple of recommendations and legislative items. He said the main item to report was that over the last couple years the unfunded pension liability has been recorded on the government-wide statements consistent

with what you would see on a commercial business. Starting in June 2018, any unfunded OPEB liability also would need to be recorded on those government-wide statements. That will get the City and other communities close to what a commercial business would look like in terms of having all liabilities on the balance sheet.

Councilmember Rzeznik asked if that was expected to affect bond ratings. Mr. Bohrer didn't believe it would. The bond rating companies are knowledgeable financial statement users. Even though that liability was not on the balance sheet, it was disclosed in the footnotes so they have a good sense of the magnitude of that obligation already. He didn't anticipate that to be an issue at all.

Mr. Bohrer further explained that in the middle of Page 5, there was a snapshot of our net position which is what the equity on the government-wide statements will look like once that estimated OPEB liability is booked. The Unrestricted goes from negative \$2 million to negative \$9 million. In total though, the net position is still positive. That means we have funded all associated costs with the City. We have capital assets in place that we paid cash for that are on the balance sheet that have to be segregated within the fund balance area. We have basically already paid for those even though they are not fully depreciated. We do have the unfunded legacy liabilities that are causing the negative unrestricted position.

He reviewed the Administrative Charges noted at the bottom of Page 5. The two items on Page 6 are primarily for Ms. Stamper. Those include the F65 Online Filing Now Required and the Updated Uniform Chart of Accounts.

Ms. Acho reviewed the General Fund (including Budget Stabilization) Revenue Trends. She noted that Building Permits were up about 12% due to development within the City. Mayor Hinkley had a question on the Cable Franchise Fee. He wondered if it would fluctuate as we increase or decrease our residents. Ms. Stamper said that it was based on users. It has remained fairly steady because people are going with different ways of receiving their entertainment. Mayor Hinkley thought we should be looking at the contract again. Councilmember Kennedy thought that was the contract we were told by the attorneys that we had to sign. Mr. Bohrer added that we are seeing those fees drop. He thought it was a combination of Dish Network as well as Netflix that was impacting that. A growing community was not seeing it as significant as one that was more mature. The franchise agreement should have a clause in there that allows us to look at the books and records of the cable company to see that the franchise fee is consistent year to year.

Ms. Acho continued with the Expenditure Trends and the Fund Balance Trends. The City has done a nice job of managing within its means. The unrestricting fund balance is increasing each year, a large portion of which is the Budget Stabilization Fund's committed balance. We do have some flexibility with funding those as the City looks at its needs for a capital and legacy cost.

Next she reviewed the Water Fund and Sewer Fund. Mayor Hinkley questioned the effect of the sewer fund with the new development across the street. Ms. Stamper explained that the tap fee revenue was going up from prior years. The decline is because of the expense we are putting into the capital asset. We are bringing in the cash, but we are spending more on our capital asset.

MINUTES:

CM-12-186-17: Moved and seconded by Councilmembers Rzeznik and Gottschall to approve the Regular City Council meeting minutes of November 28, 2017.

Vote:

Motion Carried

CORRESPONDENCE: (None)

CALL TO THE PUBLIC:

There were no comments at this time.

CITY MANAGER REPORTS:**1.) Fire Report – November 2017**

There were no comments or questions regarding this report.

2.) Police Report – November 2017

There were no comments or questions regarding this report.

3.) Monthly Budget & Quarterly Investment Report – June 2017

Mayor Hinkley wondered the percentage of the investment earnings. Ms. Stamper replied that they were pretty steady. There was a slight increase in interest rates but not more than a couple percent.

Regarding the mortgaged-back asset investment, Councilmember Gottschall wondered if the percentage we have was pretty standard with what other communities have. Ms. Stamper said that we don't carry a whole lot of those types of investments. She indicated that she would follow up with him.

Councilmember Rzeznik said that about two years ago, we updated our finance software. He wondered if we would be able to migrate immediately when the new chart of accounts comes out. Ms. Stamper replied that it would be fairly easy. It is a modification to our existing chart of account.

CONSENT AGENDA:

CM-12-187-17: Motion and seconded by Deputy Mayor Ziegler and Councilmember Kennedy to approve the Consent Agenda as presented which included:

- 1.) Approval to receive and file:
 - a. Wixom Library Board Minutes of October 23, 2017
 - b. Planning Commission Meeting Minutes of October 23, 2017

Vote:

Motion Carried

UNFINISHED BUSINESS:

- 1.) **Consideration of the Enactment of an Amendatory Ordinance to the City of Wixom Code of Ordinances, Title 5, "Business Licenses and Regulations," Chapter 5.10, "Peddlers, Solicitors, and Canvassers," Section 5.10.020, "Definitions," and Section 5.10.074, "Obstructing Traffic," in Order to Conform to Changes in State Law**

CM-12-188-17: Moved and seconded by Councilmembers Rzeznik and Kennedy to approve the enactment of an amendatory ordinance to the City of Wixom Code of Ordinances to amend Title 5, "Business Licenses and Regulations," Chapter 5.10, "Peddlers, Solicitors, and Canvassers," Section 5.10.020, "Definitions," and Section 5.10.074, "Obstructing Traffic," in order to conform to changes in state law.

Councilmember Gottschall thanked Mr. Brown for the one-copy version. He thought it was much cleaner.

Vote:

Motion Carried

NEW BUSINESS:

- 1.) **Recommendation to review the Fiscal Year 2016-2017 Financial Audit and Authorization to Accept and File**

CM-12-189-17: Motion and seconded by Councilmembers Smiley and Beagle to accept and file the Fiscal Year 2016-2017 Financial Audit.

Councilmember Rzeznik thanked Ms. Stamper and her team. We got through another audit unscathed. The material findings were something that has been there forever. He thought the new accounting package helped.

Vote:

Motion Carried

- 2.) **Recommendation for Approval for the Formation of a Beck Road Widening Task Force**

CM-12-190-17: Motion and seconded by Councilmembers Smiley and Beagle to approve the formation of a Beck Road Widening Task Force.

Councilmember Kennedy asked for a little more information. He wondered if there would be any charges to have Manufacturing Alliance of Communities (MAC) working on this. Mr. Brown said that MAC is an adversary group that would work on our behalf. He wasn't aware of any charges that we would be incurring.

Mayor Hinkley added that the City has been a member of MAC for many years. He reminded everyone a business owner along Beck Road has committed a significant amount of money that the City can use for acquisitions for right-of-ways. We could have MAC lobby on our behalf in Washington to work for a TIGER grant. There are also several grants that will be coming at the beginning of the new year. That same group advocated and won a \$12 million grant for Sterling Heights to widen Van Dyke. Having the commitment from that business owner gives the City a wealth of opportunity.

Councilmember Smiley heard the idea of expanding Beck Road a few times in the last couple years. It sounded to him that it would be great for the City. He thought it was an expensive and big endeavor and he supported this. He liked the idea that we would take the first step in looking into what was out there and what would make this possible. He hoped it would lead to getting it accomplished.

Councilmember Rzeznik thought we should also continue to look for ways to work with surrounding communities. Beck Road goes from Potter Road south through five different communities. He knew some of the infrastructure grants and economic recovery grants were not easy because we are in Oakland County. We need to make sure we get access to as many of those as possible. He thought it was good to have the MAC alliance fighting for us in Washington and he hoped we could get a lot of interest in this area along with some surrounding community help as well.

Vote:

Motion Carried

- 3.) Recommendation to Approve the Renewal of the Cemetery Sexton Services Agreement with Huron Cemetery Maintenance, Inc. of Highland, Michigan, at the Wixom Cemetery, with this Agreement Being Effective January 1, 2018 through December 31, 2020, as well as Their Fee Schedule that is Contained in Appendices that Accompany Their Agreement, and Authorize the Mayor and City Clerk to Sign this Agreement on Behalf of the City of Wixom**

CM-12-191-17: Motion and seconded by Councilmembers Smiley and Beagle to approve the renewal of the Cemetery Sexton Services Agreement with Huron Cemetery Maintenance, Inc. of Highland, Michigan, at the Wixom Cemetery, with this agreement being effective January 1, 2018 through December 31, 2020, as well as their fee schedule that is contained in appendices that accompany their agreement, and authorize the Mayor and City Clerk to sign this agreement on behalf of the City of Wixom.

Vote:

Motion Carried

- 4.) Recommendation for Acceptance of the Quit Claim Deed for a Right of Way Easement for Beck Road South of West Maple Road as Granted by MM Beck LLC of Farmington Hills, Michigan, in the Total Amount of \$1.00**

CM-12-192-17: Motion and seconded by Councilmembers Rzeznik and Smiley to accept the Quit Claim Deed for a right of way easement for Beck Road south of West Maple Road as granted by MM Beck LLC of Farmington Hills, Michigan, in the total amount of \$1.00.

Mr. Sikma had a correction in his report. He said the proposed easement is 1,200 feet long, not 60 feet long. This was for the extra turn lane and the sidewalk at Maple and Beck Road.

Vote:

Motion Carried

5.) Recommendation to Accept a Water Main Easement in the Total Amount of \$1.00 and a Detention/Retention System Maintenance Agreement, both Granted by BKG Ryan LLC of Bingham Farms, Michigan, and Authorize the Mayor, Kevin W. Hinkley, and the City Clerk to Sign the Maintenance Agreement

CM-12-193-17: Motion and seconded by Councilmembers Rzeznik and Smiley to accept the Water Main Easement in the total amount of \$1.00 and a Detention/Retention System Maintenance Agreement, both granted by BKG Ryan LLC of Bingham Farms, Michigan, and authorize the Mayor, Kevin W. Hinkley, and the City Clerk to sign the maintenance agreement.

Vote:

Motion Carried

6.) Consideration of the Confirmation of the Mayor's Reappointments of Robert Thompson and Jeff Isett (Alternate) to the Board of Review with Terms to Expire December 31, 2020

CM-12-194-17: Motion and seconded by Deputy Mayor Ziegler and Councilmember Kennedy to confirm the Mayor's reappointments of Robert Thompson and Jeff Isett (Alternate) to the Board of Review with terms to expire December 31, 2020.

Mayor Hinkley stated that both of these gentlemen have served for the last several years and they were both interested in being reappointed.

Vote:

Motion Carried

CALL TO THE PUBLIC:

There were no comments at this time.

CITY MANAGER COMMENTS:

Mr. Brown congratulated Cathy Buck, Crystal Opalko and Wendy Brink for getting re-certified as passport acceptance agents. This was a popular service offered by the City that many other communities no longer offer. He thought residents and non-residents appreciated this service. He estimated an average of eight passports were processed each day. He gave kudos to the staff at the Building Department for helping assist the tenant in getting into the property off Ryan Court. Also, he explained how they had been trying to prepare for the opportunity to bond for the unfunded pension and OPEB costs. He said that MERS completed their analyses amortization period for the different employee groups and prepared a schedule for the bonding consultants. The bonding consultants will now prepare a very detailed package for Mayor and Council. He thought they would receive that information soon.

COUNCIL COMMENTS:

Councilmember Gottschall thanked staff for the updates regarding the actuarial numbers.

Councilmember Smiley gave the Finance Director kudos regarding the audit. He thought there were a lot of good comments within the audit report and recognized her hard work.

Councilmember Beagle congratulated the Fire Fighter's Association on another great Breakfast with Santa event. He thanked them for allowing him to be part of it. He thought it was a great event that was loved by the community.

Councilmember Rzeznik gave his kudos to the DPW for their outstanding job plowing the snow. He felt the Holiday Markt was a great event and well attended this year. He said the weather was great and the entertainment was also great. He had a lot of fun at Breakfast with Santa this past weekend and thanked the Fire Department for allowing him to be part of it. He felt that event was a great platform to reconnect with the community. He thanked the staff on obtaining their passport recertification. He thought that people may not realize it, but if you were prepared with the paperwork, it was only a five to ten minute interaction when applying for a passport. He thought this was a great service offered by the City and thought the staff did a wonderful job with this.

Councilmember Kennedy congratulated the Fire Department for their successful Breakfast with Santa event. He thanked all those involved in the demolition on Fairbury.

Deputy Mayor Ziegler thanked Ms. Stamper, the Finance Department and Mr. Brown for all their hard work on the audit and throughout the year. He said the Breakfast with Santa was one of his favorite things to do. He appreciated being invited. He knew the Fire Department did a lot of work for that event and he appreciated all their efforts.

Mayor Hinkley thanked Karyn Stickel and David Connell for volunteering to be on the Beck Road Task Force. He thought that this would be a great opportunity to have all hands on deck and result in a successful private/public partnership. This was something that had been near and dear to him for a long time. He thought that potential businesses may not have moved to that corridor because the roads had not been suitable for what they were looking for. If we hoped to continue to grow that particular location, widening Beck Road would be a big opportunity to achieve that. He hoped that everyone had a great time at Breakfast with Santa. It was kind of nostalgic as he and Councilmember Rzeznik remembered when their kids were going to that event and now their grandchildren were going. It was a neat experience to see that come full circle. It's been a long standing tradition. He expressed his gratitude for the email blast from the DPW that the roads were being cleared and salted so the patrons could safely make it to the Breakfast with Santa that morning.

ADJOURNMENT:

The meeting was adjourned at 7:58 p.m.

Catherine Buck
City Clerk

Approved 1-9-2018
