

**REGULAR MEETING OF THE COUNCIL OF THE CITY OF NOVI
MONDAY, DECEMBER 2, 2013 AT 7:00 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

Mayor Gatt called the meeting to order at 7:00 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Gatt, Mayor Pro Tem Staudt, Council Members Casey, Fischer, Markham, Mutch, Wrobel

ALSO PRESENT: Clay Pearson, City Manager
Victor Cardenas, Assistant City Manager
Elizabeth Saarela, City Attorney

APPROVAL OF AGENDA:

CM-13-12-156 Moved by Wrobel, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the Agenda as presented.

Roll call vote on CM-13-12-156 **Yeas: Staudt, Casey, Fischer, Markham,
Mutch, Wrobel, Gatt**
Nays: None

INTERVIEWS FOR BOARDS AND COMMISSIONS

1. Siddharth "Mav" Sanghvi – Zoning Board of Appeals (ZBA)

Dr. Sanghvi thanked everyone for giving him the opportunity to interview. He said, professionally, he is a retired orthopedic surgeon. He has lived in the City of Novi for 38 years. He has previously served the City in various ways of community service. He is seeking to continue to serve on the Zoning Board of Appeals. Members Casey, Mutch, Fischer, Pro Tem Staudt, Wrobel, Markham, and Mayor Gatt were familiar with his service, thanked him for interviewing, and said they would support his reappointment.

2. Alexander Fera – Zoning Board of Appeals – alternate; Library Board

Mr. Fera thanked everyone for giving him the opportunity to interview. He said he is seeking appointment to the Zoning Board of Appeals as an alternate. He is seeking the position to learn about local politics and public policy. He believed his continued effort to serve the community would be the ZBA. Member Mutch thanked him for volunteering to serve and noted Mr. Fera currently serves on the Public Access Promotion Committee. He asked Mr. Fera if he anticipated to continue to serve on that Committee if he was appointed to the ZBA as an alternate and if he had enough time to commit to both. Mr. Fera said he works on the weekends to keep the weekdays open to help out. Member Fischer asked what unique background or characteristic he would bring to the ZBA that it may be lacking presently. Mr. Fera didn't think it is lacking anything and said he wants to learn more about the community and to be involved

with politics. He thought with having the motivation of an Eagle Scout to the serve the community would be a great asset to the Board. Mayor Pro Tem Staudt asked what he would do if he were asked to rule on things that would contradict his own personal and philosophical goals when dealing with the City's ordinances and laws. Mr. Fera said he would look and see what the reasoning behind the ordinance and rule based on why the ordinance was there and not base it on his political or personal beliefs. Member Wrobel thanked him for stepping forward. He rephrased Mayor Pro Tem Staudt's question by asking Mr. Fera if he was asked to be a mediator, someone wanted relief from an ordinance, what would be his decision making process to determine whether they should they should be granted relief or not. Mr. Fera said his reasoning would be to listen to their reason why they should get a lenience or what they are looking for versus what the original ordinance was and see what we could do to help make it where both parties are equal with each other. Member Markham was excited to see young people getting involved with city government and didn't have any questions. Member Casey asked Mr. Fera if he would give an example of a time where he had to deliver unpleasant news. She explained he may be ruling against someone. Mr. Fera said one of the things he does with the Boy Scouts of America (BSA) is board of reviews with the candidates being promoted to higher ranks, and sometimes he has to say to them that they are not able to move on to the next rank and give the reason. Mayor Gatt had no questions.

3. Katrina Kelly – Zoning Board of Appeals; Housing & Community Development Advisory Committee

Ms. Kelly said she recently moved back to Novi. She said her undergrad degree is in political science. She has served the State government for the House and the Senate. She also has served on the ZBA when she lived in Portage and the Housing and Community Development Board in Novi. She enjoys living in Novi. Member Fischer asked her to specifically explain what experiences she will bring to the ZBA that it may be missing. Ms. Kelly said she would not say the ZBA is missing anything but explained she has eighteen years of insurance and financial services experience through State Farm Insurance in Claims. She deals with policy interpretation. She works daily with attorneys and legal assistants to interpret and understand the law. Her ability to understand the law and policy and apply it is what she would be able to bring to the Zoning Board. Mayor Pro Tem Staudt asked what similarities and differences, in her view, between Portage and Novi in the areas she was interested in. Ms. Kelly answered the communities are similar in that there is a tremendous focus on academics as well as community development. The two communities are smaller in nature and surrounded by larger communities but they don't let that affect the decisions for the betterment of their communities. It is something she values and appreciates. Member Wrobel welcomed her back to Novi and thanked her for interviewing. He asked which position she would prefer. Ms. Kelly answered the Zoning Board because of her policy background. Member Markham thanked her also. She asked Ms. Kelly if there were any accomplishments while she was on the Board in Novi that she would share with Council. Ms. Kelly answered when she served on the Housing Board for Novi, because it was a small group, they came together with the goal of accomplishing something. They would review the proposals for the grants and decide where was the greater need within the Community and put those forward for the Block Grants. Member

Casey mentioned to Ms. Kelly there will be times when she will have to rule against someone and asked if she would share an experience where she has had to give someone unpleasant news and how she handled it. Ms. Kelly said after fourteen years of leadership, oftentimes, she has given individuals unpleasant news. Recently, she had an employee whose job performance was not meeting the standards that are set within the organization. She had a frank conversation about the positives of their work but also sharing with them where their shortfalls were. She would ask the employee if it was really the job for them. She would have to make those kinds of considerations and have those types of conversations to get them thinking. Delivering unpleasant news is not necessarily difficult all the time but is how it is presented. Member Mutch asked what kind of cases came before the Portage Zoning Board of Appeals. Ms. Kelly said there were several individuals who wanted to rezone their property. It was mostly residential with a few businesses. Mayor Gatt thanked Ms. Kelly.

4. Cynthia Gronachan – Zoning Board of Appeals

Ms. Gronachan said she has returned to Novi and has served on the Zoning Board in the past. Mayor Pro Tem Staudt thanked her for interviewing and asked if there were any rulings she made, that in retrospect, she may have changed her mind. Ms. Gronachan could not recall any. The reason she believed that is the amount of work and time involved prior to making a decision. Member Wrobel thanked her and didn't have any questions. Member Markham asked if there is a case when she was on the Board that stands out for her that had an important impact on the decision that was made. Ms. Gronachan thought that the cases that she worked on when she was on the Zoning Board strengthen their approach to cases. She explained that they worked on the motions to make sure that they were proper. There was a lot of training and homework involved. If there were any grey areas, they worked together on the cases. The one case that comes to mind is the Oakpointe Church on Ten Mile Road which was very lengthy. It came back to the Board and the motions had to be re-examined. From that point on, the Board made sure that the motions were correct. Member Casey said she didn't have any questions and thanked her for interviewing. Members Mutch, Fischer and Mayor Gatt thanked her and were very acquainted with her service and didn't have any questions.

5. Craig Messerknecht – Library Board

Mr. Messerknecht said he brings thirty years of leadership experience to the position. He served as an Army Officer for three years. He has held a variety of management positions in business. He has served on two boards of directors. He earned his BS in Business with a major in Information Systems from Bowling Green University and a MBA from Moorhead University. He has been an active participant in the Community for the past four years. He has worked with the Friends of the Novi Library for the past three years. He has worked as an election worker in Novi. He and his wife have participated in several different Police Benevolence functions. They both completed the Citizens Police Academy this year. He was Precinct Delegate two years ago. He is a lifelong user of libraries but mostly in the last thirteen years he has lived in Novi. He feels the Novi Library is a gem and an asset to the City at a time when a lot of communities have been forced to curtail service. There was a day when libraries were little more than

buildings with books. The Novi Library today has become a center of community activities. He would be honored to help carry that progress forward. Member Wrobel asked what he would like the library to add as far as programs that they do not offer now. Mr. Messerknecht said they have added a lot over the past couple years and didn't know if he could identify anything in particular. He was very happy when the hours were extended recently. This summer it was difficult to find a parking spot on Tuesday mornings because they had so many events for children. He thought they have done a lot. He understood there are a lot of residents that are not active library users. He thought they could do more of an outreach and maybe by presenting what is being offered, it would be helpful. He feels they have done a great job. Member Markham thanked him and had no questions. Member Casey thanked him and asked if he had a particular goal or project that he would like to see accomplished if he was appointed to the Library Board. Mr. Messerknecht answered that he knew the current Board developed a long range plan with six strategic objectives. He thinks the key to the objectives will be a follow up on their progress. Member Mutch thanked him for his willingness to serve. He asked what vision or role he had for the Library within the Novi Community to make it a better place for our residents. Mr. Messerknecht said because of the Library network, which can draw resources from so many libraries, the physical space doesn't need to be bigger and allows programs to continue and add to them. Member Fischer questioned if he thought there is a subset of our population that we don't serve as well as we could and if so how can we serve them. Mr. Messerknecht answered geographically the service is not consistent. He explained there are some places within the City of Novi where the percentage of people in that area use the library much less than others. Part of it is proximity to the Library. He believed there was a plan to reach out to those underserved areas. He has seen a lot of programs for children, seniors, and different interests. He is not aware of any programs lacking. He would have to be more involved to identify those. Mayor Pro Tem Staudt noted he would be filling Larry Kilgore's position if appointed by the Mayor. He has held an important leadership position over the years. He asked if he aspired to be a leader on the Library Board. He knew he was a fiscal conservative and a steward of taxpayer dollars. Mr. Messerknecht said he would like to continue on the Library Board. With any private or public operations, not many have the opportunity to have more money than there are needs to meet so they have to pick and choose wisely to manage the funds and still do programs and expand services. He said he is a fiscal conservative. Mayor Pro Tem Staudt said he would support his appointment. Mayor Gatt didn't have any questions and felt he was very qualified for the position.

6. Linda Krieger – Zoning Board of Appeals

Mr. Krieger thanked Council for the opportunity. She said she is currently on the Zoning Board of Appeals and honored to be President for the last couple months. Her term is expiring and she would like to seek reappointment. Member Markham noted Ms. Krieger has a wide variety of service to the Community. She has been on almost every board and it is obvious she cares and loves this Community. She asked if there has been something that stood out from her service to the Community. Mr. Krieger said she felt sorry for a young man who had a house on Walled Lake that was seeking to build a garage on two properties that couldn't be done but did work out. Member Casey asked if there was a time where she had to deliver unpleasant news to an applicant

and how did she handle the situation. Ms. Krieger said it is tough but they are sent to the Planning Department to seek an alternative where they can come back and work it out. Member Mutch thanked her for offering to serve another term. He was familiar with her service and didn't have any questions. Member Fischer said he served on the Board with her. He didn't have questions but thanked her for her service and participation in City activities. Mayor Pro Tem Staudt asked what she thought was the primary role of the Chair. Ms. Krieger said it is to lead the meeting through its process and to open communication with City Administration to have a whole picture of what the need is. Mayor Pro Tem Staudt thanked her for continuing to serve. Member Wrobel thanked her and had the pleasure of serving with her. He didn't have any questions for her. Mayor Gatt had no questions for her.

PUBLIC HEARING - None

PRESENTATIONS:

1. Comprehensive Financial Audit for year-end June 30, 2013 – Andrews, Hooper, Pavlik

Randy Morse, Audit Partner with Andrews, Hooper, Pavlik, said it was their third year doing the audit. They appreciate being able to give the presentation and to answer any questions related to the Comprehensive Audit. He thanked Clay Pearson, Victor Cardenas, and their staff for the completion of the Audit in a timely fashion. They had great cooperation with management. In the report they provided their required communication of the professional standards and all were affirmative. There were no significant matters noted. They did have an unmodified or a clean opinion. They had no single audit findings or questioned costs. They reported no internal control deficiencies. Overall they had excellent results from the audit.

In the general summary of the report is the GFOA certificate of Excellent Financial Reporting for June 30, 2012. It is the fifteenth year that the City has received it. He thought it was a great accomplishment. They reported the City has a Standard Poor's Bond Rating of AA+. The City is evaluated by MADC as a Redevelopment Ready Community in 2013. All the development in the City of Novi is reported in the introductory section of the statement and one can conclude why the City is getting all the recognitions. The Constitutional Revenue Sharing increased by about two percent due to Sales Tax growth rate and the statutory remains negligible due to State Formula. The upcoming GASB's are noted in Note 14 of the report. The only GASB change he spoke about is GASB 68 regarding the pensions. Basically, the unfunded pension liability will be reported which is about twenty-four million dollars. The liability is not recorded on the statements but on a going forward basis that will now be reported as a liability. From the General Fund side, it doesn't have an impact because it is based on the required contributions. Overall, the gross liability the City has on a going forward basis will now be reported on the statements. He spoke about the Government wide statements summaries. The statements show a net position of three hundred thirty-five point nine million which is an increase of two point two million. There was a decrease in bonds payable of six point six million to about forty one million dollars. Program revenues were forty point five million which is up four point three million. The program

revenues consist of items where services are charged. Expenses were seventy-one point eight million and were up a million. General revenues were thirty-three point six which was down three point three million which consists of property taxes, State shared revenues, and an unrealized loss of investments of about two million dollars. The loss was the biggest reason for the decrease. The General Fund Summary has total assets of eleven point one million. Liabilities were two point three with a Fund Balance of eight point eight million which is a decrease of about seven hundred fifty-three thousand. Overall revenues were up negligible one hundred four thousand. There were no significant budget actual differences. He spoke about analysis of government wide governmental activities net position for 2013. The biggest piece of the net position is in capital assets of related debt of one hundred eleven point seven million. There is one hundred fifty-nine point eight in restricted and unrestricted debt. Business type activities were one hundred seventy-six million. He spoke about revenue trends. Charges for services from 2012-2013 increased mainly from due to increase in rates and usage. Grants and contributions increased by two million. He explained a few other activity totals. In investment earnings is where the unrealized loss is of the two point one million. Expense trends under governmental activities increased slightly and are listed in the report. General governmental funds expenditures had a big increase in 2008 but are consistent from year to year. General revenue trends shows the transfer of the property tax Police and Fire millage transfer as the biggest increase for this year from last. They are items that are budgeted and planned for. General Fund expenditure trends are consistent from year to year. The biggest items were related to Public Services and General Administration. The Governmental Fund Statement percentages vary from year to year but are relatively consistent with no unusual fluctuations that haven't been taken into account through the budgeting process. He explained the City's financial health. He hit the highlights of the report and from their standpoint excellent results with a clean modified opinion. There were no findings of questioned costs. Internal controls didn't have any significant deficiencies.

Mayor Gatt asked him if he would compare us with other cities. Mr. Morse said the first thing he looks at is the City Council and how well they work together. It is very important. He thinks the City of Novi is a community that is growing and fiscally responsible and it shows in the way expenditures are monitored.

Mayor Pro Tem Staudt noted the twenty-four million dollar unfunded pension liability and health insurance future liabilities and asked what he thought of how to deal with those items. Mr. Morse said they will not go away and mentioned that it is not just for the City of Novi. The State of Michigan has liabilities close to fifty billion dollars. The City has taken some of the steps needed. The City has changed the retirement benefits to defined contribution. The City has also made sure of what they can buy to offer to new employees on a going forward basis. He has seen drastic measures of a city that made a bond offering of seventy-five million dollars to pay their unfunded liability to what the City is doing now, which is consistently negotiate benefits on a going forward basis. His personal opinion is to somehow look at the defined benefit plan and how can it be replaced with somewhat equal terms going forward. There is a catch twenty-two because over the past few years investment funds have gone down. There is an unfunded liability of healthcare of four million dollars which will be changed by GASB also. He said to look at how to compensate employees and stay even going forward.

Mayor Pro Tem Staudt stated with the exception of revenue bonds, the City seems to be below average debt for a community this size and asked Mr. Morse if it was a fair statement. Mr. Morse said he would agree. Mayor Pro Tem Staudt said moving forward they took the approach of increasing revenues with a mileage as opposed to bonds for roads which he thought was a better way to go for the City. He asked Mr. Morse if there was a benefit to looking for projects that would add addition debt that may benefit us as our debt declines. Mr. Morse thought that what the City has in debt and type of projects has helped the City become more desirable for workers. The City has done various things to better the community versus putting the City in a more difficult position on a going forward basis. Mayor Pro Tem Staudt asked if the City was in a good position with our Fund Balance. Mr. Morse agreed. He compares managing the Fund Balance to your household finances. If some of the monies are not put away, then it will not be there. It is good to make sure there is enough to cover the expenses in case something happens. It is good fiscal measures. Mayor Pro Tem Staudt thanked him for the good work.

Member Fischer thanked Mr. Morse for a very comprehensive report. He noted the change of GASB 68 and asked the time frame for GASB to add the retiree healthcare debt on the balance sheet. Mr. Morse said they have not issued anything, but once they have, it will be less than a year. Member Fischer noticed the disclosures of GASB 68 effective for 2015. Mr. Morse said that was the implementation date. His recommendation would be to have it done by 2015. Member Fischer asked, when the City puts the liability on the books, will it be a net deficiency. Mr. Morse said the City will have an unrestricted deficit. Member Fischer asked Mr. Morse to explain the audit process of the Tribunal cases outstanding. Mr. Morse said they get details of the cases outstanding. They look at cases that are settled and the amounts they were settled for. They focus on the major cases. They determine a percentage of what the decline is. They apply the percentage to the open cases to come up with what to reserve. He explained this year a lot of cases were settled this year and the liability decreased. It makes it easier to look at the estimate. It is not as large but there is more validity based on what was closed. Member Fischer said they have done an excellent job and hoped to continue to work with them.

Member Mutch asked for the details of working on the internal controls. Mr. Morse said there were minor ones in the past couple years but proper controls are in place. He mentioned the utilization of spreadsheets because the more information that can be pulled from the system versus a spreadsheet is beneficial. He felt comfortable with the spreadsheets that they audited. Member Mutch asked if there were anything in the reports that Council should be concerned about. Mr. Morse said that is in the Scope Letter that is sent to the City. We have certain expectations as compared to what is out there. If there was something that was different than what was expected that was significant is an item that they would report to Council. Member Mutch said he didn't think otherwise but he felt it was important to ask those questions. He wanted to follow-up on the question of GASB requirements. He noted that the report stated the City is about sixty-nine percent funded and the retiree health care is at eighty-three point two percent funded. Mr. Morse said it probably will result in a deficit in net position. Member Mutch said that now it is just a note in the Financial Statements. He asked if it would change the budget process because the City has already taken in consideration the

liabilities. Mr. Morse said that is correct because when the City gets the actuarial evaluation it already determined the required contribution and will be on a consistent basis going forward. Generally, the City puts in more than required. Member Mutch thanked Mr. Morse and thought the City maintains a healthy fund balance.

Mayor Gatt thanked Mr. Morse for a very comprehensive detailed report.

REPORTS:

1. MANAGER/STAFF – None
2. ATTORNEY – None

AUDIENCE COMMENT – None

CONSENT AGENDA REMOVALS AND APPROVALS (See items A-G):

CM-13-12-157 Moved by Staudt, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the Consent Agenda as presented with the removal of item E for Council Action.

- A. Approve Minutes of:
 1. November 25, 2013 – Regular meeting
- B. Approval of a request by Retail, LLC and Comcad Properties, LLC to waive the Maintenance and Guarantee Bond required under Section 26.5-33(1)(d)(12) of the ordinance for water and sewer facilities installed for the Maples Place Office Center site located at 42071 Fourteen Mile Road in Section 2 (parcel 50-22-02-200-047).
- C. Approval to award an engineering services agreement with URS Corporation for design engineering services related to the Southbound Haggerty Right Turn Lane at Grand River project in the amount of \$11,648.
- D. Approval to purchase furniture for various offices at the Department of Public Services facility from ISCG Inc. in the amount of \$18,511.79, based on pricing from the State of Michigan MiDeal cooperative purchasing program.
- F. Adoption of a resolution to amend the public hearing date regarding the Lake Improvement Board for Walled Lake.
- G. Approval of Claims and Accounts – Warrant No. 905

Roll call vote on CM-13-12-157

**Yeas: Casey, Fischer, Markham, Mutch,
Wrobel, Gatt, Staudt**

Nays: None

MATTERS FOR COUNCIL ACTION

1. Approval of the Program Year 2014 Community Development Block Grant Application in the approximate amount of \$91,654 and authorize the Mayor to sign the Application and Sub-recipient Agreement.

City Manager Pearson noted Council has conducted the required Public Hearing for disbursement of the Block Grant Funds from the Federal Government. The recommendation from the Housing and Community Development Advisory Board is to use the monies for minor home repair, HAVEN, and Novi Youth Assistance.

CM-13-12-158 Moved by Wrobel, seconded by Casey; CARRIED UNANIMOUSLY:

To approve the Program Year 2014 Community Development Block Grant Application in the approximate amount of \$91,654 and authorize the Mayor to sign the Application and Sub-recipient Agreement.

Member Fischer asked City Manager Pearson about the recommendation for 2014 from the HCD being slightly over the agency request for HAVEN and Novi Youth Assistance. City Manager Pearson said they were notified by the Federal Government that there was increase in funding after they submitted their request. The HCD Committee received the information and made their decision accordingly. There were no objections to the amount change.

Roll call vote on CM-13-12-158

**Yeas: Fischer, Markham, Mutch, Wrobel, Gatt,
Staudt, Casey**

Nays: None

AUDIENCE COMMENT – None

COMMITTEE REPORTS – None

MAYOR AND COUNCIL ISSUES – None

CONSENT AGENDA REMOVALS FOR COUNCIL ACTION:

- E. Approval of Resolution authorizing the Commission Interview Committee to hold candidate interviews and make recommendations for appointments to all boards and commissions except for Mayoral appointments or appointments to the Zoning Board of Appeals.

Member Mutch said he is comfortable with the establishment of a Committee, but would request to approve this and exclude the Parks, Recreation and Cultural Services Commission from the Interview Committee process. He explained that it is a significant Commission because they have oversight responsibilities. He feels it is important for

Council Members to interview the applicants. The decision for Council to interview could be revisited if necessary.

Member Fischer appreciated Member Mutch bringing this forward because the Parks, Recreation & Cultural Services Commission is important. The intent to draw the line was with the Mayoral Appointments but there is no process outside of Circuit Court after a decision is made by the Zoning Board of Appeals. He is comfortable with all the other Boards and Commissions are appropriate to go to a committee structure. The Committee has been in place for several years to interview applicants to Youth Council. It is organized very well. There have not been any changes to the recommendations brought forward and in the efforts of expediting and encouraging people to join Boards and Commission including the Parks, Recreation & Cultural Services Commission; he would like to leave the proposal as stated.

Member Wrobel thought that he would support keeping the Parks, Recreation & Cultural Services Commission before Council.

Member Gatt clarified what Member Mutch said. It doesn't establish a Committee. It just authorizes the established Committee to interview. He will not support it. It is to save the time of City Council. He will support Member Fischer's recommendations.

CM-13-12-159 Moved by Mutch, seconded by Staudt; MOTION CARRIED: 4-3

To approve a Resolution authorizing the Commission Interview Committee to hold candidate interviews and make recommendations for appointments to all boards and commissions except for Mayoral appointments or appointments to the Zoning Board of Appeals and Parks, Recreation & Cultural Services Commission.

Roll call vote on CM-13-12-159

Yeas: Staudt, Markham, Mutch, Wrobel

Nays: Gatt, Casey, Fischer

ADJOURNMENT – There being no further business to come before Council, the meeting was adjourned at 8:17 P.M.

Robert J. Gatt, Mayor

Cortney Hanson, Deputy City Clerk

Transcribed by Jane Keller

Date approved: December 17, 2013