MINUTES
Committee of the Whole
Monday, February 8, 2021 @ 5:00 p.m.
https://us02web.zoom.us/j/85940036219; ID: 859 4003 6219; or Dial in: (646) 876 9923
Held virtually in an effort to protect the health and safety of the public & to mitigate the spread of COVID 19

CALL TO ORDER
Council President Spadafore called the meeting to order at 5:00 p.m.

PRESENT- via audio/video
Councilmember Peter Spadafore remotely from Lansing, Michigan
Councilmember Adam Hussain remotely from Lansing, Michigan
Councilmember Carol Wood remotely from Lansing, Michigan
Councilmember Patricia Spitzley remotely from Lansing, Michigan
Councilmember Kathie Dunbar remotely from Lansing, Michigan
Councilmember Brandon Betz remotely from Lansing, Michigan- absent
Councilmember Jeremy Garza remotely from Lansing, Michigan
Councilmember Brian T. Jackson remotely from Lansing, Michigan

MEMBERS PRESENT- via audio/video
Sherrie Boak, Council Staff
Mark Lawrence, Mayors Representative
Lisa Hagen, City Attorney
Jim Smiertka, City Attorney
Eric Brewer, Council Internal Auditor
Mayor Schor
Robert Widigan, City Finance Director
Steven Kirinovic, Maner Costerisan- Auditing Firm
Matthew Lantzy
Loretta Stanaway
Diamond Daniels
Eric Brewer, Council Internal Auditor
Tom Dickson, TMO
Mr. Naussman, TMO

Minutes
MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM JANUARY 25, 2021 AS PRESENTED. ROLL CALL VOTE, MOTION CARRIED 7-0.

Public Comment

Ms. Stanaway spoke on the lease agreement with the stadium, and inquired as to what the City would be impacted to the costs. Ms. Stanaway referenced the agreement phrase where their audit is confidential, and asked for it to be made public.

Ms. Daniels, reporter, asked for permission to record via ZOOM. Council President Spadafore clarified ZOOM Webinars do not have the same recoding rights as the ZOOM Meetings do, however she could records externally with her own means.

RESOLUTION – Reappointment; Matthew Lantzy; City Member to Capital Area Region Airport Authority Board; Term to Expire 9/30/2024

Mr. Lantzy spoke on his work experience and his desire to join the Airport Board because he believes it is an economic driver for the region.

MOTION BY COUNCIL HUSSAIN TO APPROVE THE RESOLUTION FOR THE APPOINTMENT OF MATTHEW LANTZY. ROLL CALL VOTE, MOTION CARRIED 7-0.

Presentation

External Auditors: City of Lansing Comprehensive Annual Financial Report (CAFR)

Mr. Brewer referenced an earlier email sent to Council and read his report. Council Member Wood asked Mr. Kirinovic to summarize their letter and any corrective actions, and then detail any comparisons to last year's audit. Mr. Kirinovic shared his screen of the audit letter and what the audit consists of. Details he highlighted were eight (8) comments, some of those being repeat comments from last year. Comments included material journal entries; bank reconciliations; Pension and OPEB activity with recommendations that all files are cleaned up and kept up to date. A comment on reconciliation of revenue transactions with focus on BWL revenue, and the auditor was unable to verify procedures performed by the City to reconcile. The recommendation is that it be looked at annually. Regarding reconciliation of asset and liability accounts, they reviewed the process and analysis and after the audit everything was satisfied. In the review of policies and procedures, there were recommendations whether best practice or under public act requirements. Comments on the payroll process were that there were recommendations on the approval process. Mr. Kirinovic referenced the prior year audit, but since they did not do that audit there was a just a summary comparison. Council Member Wood noted that previous auditors had continuous comments for years, and asked Mr. Kirinovic what their expectation was on their conditions and the timeline. Mr. Kirinovic noted they put comments that they hope the client addresses, and do not attempt to create comments that are overburdened or unattainable. Every year they will look at the previous comments, and evaluate them half way through the year. With eight (8) comments in the report, but hope that in the next year there would be 5-6. Council Member Wood then asked if there are any material reasons why, Council was told the City would end up in the reserves $6 million, but when the audit was completed the actual amount is $10 million. Mr. Kirinovic provided his screen with the actual audit, and went to page 120, which is the GF. When looking at the numbers $134,120,000 for amended total revenues, but on page 125, as provided with the budget, with the expectation if City would have been on with budget to actual. Mr. Widigan added that the main reason for staying flat, the increase of FB was $89,520, the department expenditures were down in parks, police and fire. When it came to estimating expenses, they estimated with caution. Council Member Wood stated Council was provided numbers in September, 2020 that the reserve/raining day fund, the City was down to $6.5 million, but now in December with this audit, that number is actually $10 million. She asked for the logic on how they were being told two (2) different numbers. Mr. Widigan stated at the time in September those were the best numbers they had. Mr. Brower, stated at the time discussion the retiree changes in September, they did not want to provide numbers they were sure of. Council Member Wood stated what she finds concerning, is that without any additional information, there is a change from $6 million to $10 million. Council Member

Spitzley did follow up with Council Member Wood question, when the decision to make retiree healthcare changes, those changes were made on unconfirmed numbers. Mr. Brower stated the decisions were made on the numbers and long term projections, and the available funds. Council Member Spitzley referenced earlier statements on "unconfirmed numbers". Mr. Brower said the decision was made on the best available numbers at the time, at the time in September the audit was not complete, so they could not make a confident statement until the audit was complete. Mr. Widigan noted that when presenting the budget use the best information at the time, then when the audit comes in there is a better understanding of the balance. Council Member Wood asked Mr. Widigan, based on Council Member Spitzley questions, and based on information "council passed", Council passes numbers based on the numbers provided to them by budget and finance. Council Member Spitzley asked what the savings were in fire, police and parks. Mr. Brower noted with police and fire there were vacancies, but he would have to look into the exact details. Council Member Spitzley then asked Mr. Kirinovic for the definition of "material weakness". Mr. Kirinovic explained there are two findings and "material weakness" is the higher level of issues found during the audit process. Council Member Spitzley then referenced a letter from Mr. Brewer, Internal Auditor dated 1/2020, which spoke to repeat comments from the last 5-6 years, and one thing that continues to be a material weakness according to other auditors and this new audit, is the OPEB activity and pension. She noted these weaknesses have been on the report since 2014. Mr. Widigan explained that when they initially got this report, they started working internally with staff to address the findings. In addition, their goal is to work with the administration, Council and Department Directors to eliminate the findings between now and the next audit and hope to have 2-3 of them off the list by next audit. Council Member Spitzley asked for an update on how they were going to address the material weaknesses. Mayor Schor noted with the retiree healthcare changes that were made, they have been able to address some of them, but will continue to have discussions on options. Council Member Wood asked the Finance Department to give the information to the actuarial in June. Council Member Jackson asked, based on the best information available, how long the City can survive financially, based on current projections. Council President Spadafore asked for long term projections. Mayor Schor stated his interest to come to Council early, with the forecast before they present the budget along with a revenue estimate. Council President Spadafore proposed the Committee of the Whole meeting on February 22, 2021 with a long term revenue outlook.

Discussion/Action

Place on File – City of Lansing 2021 Annual Report
Place on File- Comprehensive Annual Financial Report (CAFR), FY 2020
Place on File – Financial Statements; Lansing Building Authority , FY 2020
Place on File – Financial Statements; Lansing Brownfield Redevelopment Authority, FY 2020
Place on File – Financial Statements; Tax Increment Financial Authority (TIFA), FY 2020
Place on File – Financial Statements; Tri-County Metro Narcotics Squad, FY 2020
MOTION TO PLACE ON FILE BY COUNCIL MEMBER HUSSAIN. ROLL CALL VOTE, MOTION CARRIED 7-0.

RESOLUTION – 2nd Amendment to the Stadium License/Lease/Service Agreement with Take Me Out to the Ballgame, LLC.

Mayor Schor informed the Council that the administration has been working on this amendment for the last two (2) weeks, and numbers have been provided to the Internal Auditor. On Friday, 2/5/2021 Council Member Dunbar provided some questions and so the administration met again with TMO. After discussions a substitute resolution was proposed and this new one would provide revenue positive for the City. Council Member Wood asked why at 4 pm today Council received this document and was being asked to vote on it at Council tonight. Council President Spadafore confirmed it was the document they just received and it is timely. Council Member Dunbar outlined her review from the weekend and the assumptions she was working from, based on the original proposal. Based on that, she said the City would be in the negative, because of the MLB agreement with the team, which requires $1.2 million of capital improvements which will fall on the City, because of the City's lease. Council Member Dunbar continued by stating that the draft from 2 weeks ago, one assumption was missing, one improvement in the $1.2 million is swapping out the lights in the stadium to LED lights. She contacted BWL and held discussions on savings with LED which could be up to 75%. This changed the position to the positive for the City and the team, because utilities are split, and everyone that has looked at all the numbers, and agree they are accurate based on past history. By the end of 2038 in a net positive position of $1,597,000. Mr. Widigan in 2032 sponsorship revenue comes back to the City. If the current naming rights expire, TMO will pay $150,000 annually or ½ of the gross revenue. Mr. Widigan then went through the substitute resolution bullet points. Mr. Smiertka outlined the original agreement and amendments. The DGR will remain, which consists of ticket sales, parking concessions and those are in the agreement now, but because of the change with MLB, some adjustments were requested by the Lugnuts. Once the resolution is approved the City Attorney will sign off on the final contract, and he guaranteed whatever is in resolution will be in the contract. Ms. Hagen then went through the resolution. The agreement started in 2014, along with amendments in 2014, because of stadium improvements which cost more than all parties thought. With the MLB there is an obligation to make improvements and OCA, Finance and Baird have gone through the agreement. Moving forward TMO will continue to pay 50% of the interest. The DGR is a number of things, but not parking as stated earlier, because parking is City revenue. They would get 5% of the DGR, unless TMO has more revenue than the City gets 7.5% of the DGR. Naming rights are in place with JNL, but this agreement would allow the City guarantee of $150,000, when JNL naming rights expired, the City will still get $150,000. For 2020, there is a minimum guarantee payment, but the City agrees to waive that based on the COVID. TMO has agreed to make that $125,000 payment, proposed to be spread over a 10 year period beginning of 2021 with interest of 2.35%. The agreement, currently does have the City Finance Director to obtain audit materials on the DGR, this agreement includes the Internal Auditor getting that audit also. Lastly, Ms. Hagen noted currently it ends 2034, but the OCA is proposing extending it four (4) years until 2038. Council President Spadafore asked why the urgency to meet the deadline if the current agreement goes to 2034. Council Member Spitzley asked why they agreed to offer a payment plan over 10 years for the 2020 $125,000. Ms. Hagen stated explains that there is a wavier for the minimum, and the license fee that TMO pays through the DGR. It is part of the $350,000 that the City gets every year, however there are two provisions in this agreement that were affected by COVID cancellations. The question is exactly what amount is owed and how to get to the agreement. The OCA determined that rather than go to courts, and litigate the amount in 2020 owed, it be wrapped into this agreement and they could make a concession and have other things that save money on other end. Mr. Smiertka stated that TMO sent notice in fall 2020 for claim of waiver of funds. Council Member Spitzley recognized that the OCA knew months ago, but noted that Council is just hearing about this. She then asked what concessions were given to other small business impacted by COVID. A lot of businesses are closing, and she wanted to make sure the City is consistent across the board. Council President Spadafore asked Mr. Naussmum on the deadline of February 10th and other teams invited to be licensed with MLB to sign document. Mr. Naussmum stated on January 12th they were provided the document with the February 10, 2021 deadline. At that point of January 12th, Council President Spadafore voiced concerns with the short notice, and asked if the document was addressed now if the City would then have to deal with MLB, and it was confirmed, but there would then be no guarantee with the negotiations with MLB. Council President Spadafore asked if all 100+ teams are negotiating in 2 weeks, and was informed not all of them. Council Member Jackson asked if they are going to address the homeless in the area of the stadium. He informed TMO that he could not agree to something that could cost the City when times are tough and people are sleeping outside. Council Member Dunbar stated that in the process of the negotiations they have negotiated the reduction in the mandatory $350,000 minimal capital investment over time. In the first 2 years, there was no City CIP needed, the minimum CIP was $100,000, saving $50,000 every year for 17 years. The $125,000 owed for 2020, will pay with interest, but financed. It was noted that Mr. Widigan, Mr. Brower, Mr. Brewer all reviewed the calculations she die, and Mr. Brewer went over the analysis with Mr. Lefler noting the recent proposal is better than the original 2nd amendment. Council Member Spitzley noted again that Council is asking to take action on items that have not been codified in any agreement before Council, this is short notice, and they have not had time to review. She reiterated her concerns with benefits for COVID offered to this organization but not other businesses. Council Member Wood asked Mr. Widigan if there is a reduction in the bond rating at which he stated there was, in June 2020 the S & P global did lower, also in March 2020 a review was done. The opinion in July, 2020 it was to lower, there was pressure on revenue taxes, State Revenue sharing, and in May 2020, the S & P lowered the State of Michigan rating as well. This reflects the finances at a particular part of time, and since that time some of those have been reversed. In the assumptions in the spreadsheet, the IPA funding is at 2.35%. Council Member Wood voiced her concern with the timing of the document and then asking for a decision with no written document and extending it to 2038. Mayor Schor briefly addressed comments on homeless assistance and business assistance. He continued by stating that the City is still responsible for $1.25 million and under the current contract the City has to provide infrastructure, and the Lugnuts have to contract with MLB. The $1.25 million is the infrastructure the City has put in to go to high A baseball. Council President Spadafore asked if TMO is paying for those in the 2nd Amendments, and was told it is all mixed in together, and City has to pay for that and rolled into the calculation. Ms. Hagen was asked to estimate when the agreement would be completed, and she stated it could be finalized the next day, then it needs to go to TMO, and the only changes they would make would be material changes and verbage, and the same terms agreed to in the resolution.

MOTION BY COUNCIL MEMBER SPITZLEY TO TABLE ACTION UNTIL A SPECIAL MEETING SO THE ACTUAL DOCUMENT CAN BE PRESENTED TO COUNCIL.

Council President Spadafore recommended action in Committee then tabling at Council, and setting a special Council Meeting.

MOTION BY COUNCIL MEMBER SPITZLEY TO TAKE ACTION ON THE RESOLUTION IN COMMITTEE AND TABLE AT COUNCIL UNTIL A SPECIAL COUNCIL MEETING TO REVIEW THE DOCUMENT.

Council Member Dunbar stated that TMO deadline with MLB was Wednesday. Mr. Dickson confirmed and stated he would hope not to wait until the end of the day on Wednesday.

Council Member Spitzley acknowledged that Council has gone above and beyond, but would not approve until Council see the document in its entirety. Council President Spadafore recommended a Special Council meeting February 10, 2021 at 4:30 p.m.

Adjourn
The meeting adjourned at 7:25 pm
Respectfully Submitted by,
Sherrie Boak, Recording Secretary
Lansing City Council
Approved by the Committee February 22, 2021