



MINUTES
Committee of the Whole
Monday, February 24, 2020 @ 5:30 p.m.
Tony Benavides Lansing City Council Chambers

CALL TO ORDER

Council President Spadafore called the meeting to order at 5:30 p.m.

PRESENT

Councilmember Peter Spadafore
Councilmember Adam Hussain
Councilmember Carol Wood
Councilmember Patricia Spitzley
Councilmember Kathie Dunbar
Councilmember Brandon Betz
Councilmember Jeremy Garza
Councilmember Brian T. Jackson

OTHERS PRESENT

Sherrie Boak, Council Staff
Samantha Harkins, Deputy Mayor
Jim Smiertka, City Attorney
Lisa Hagen Assistant City Attorney/Council Research Assistant
Andy Kilpatrick, Public Service Director
Cathleen Edgerly, DLI
Shelbi Frayer, Chief Strategy Officer
Jack Brower, Budget Director
Joann Baumen

Minutes

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM FEBRUARY 10, 2020 AS PRESENTED.

MOTION WITHDRAWN. The paper packet as missing page 5, and Council staff was requested to make copies of page 5 for action later on the agenda.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM FEBRUARY 17, 2020AS PRESENTED. MOTION CARRIED 8-0.

Public Comment

Ms. Baumen spoke in support of the new 2 way streets in the downtown area. She also asked for cross walk signals to be checked in the area for non-working during rush hour.

Discussion/Action:

RESOLUTION – FY2020 Mid Year Budget Amendment

Council Member Spadafore reminded the Committee the resolution as before the Committee on February 10, 2020 and the Departments provided answers in writing to their additional questions.

Council Member Wood stated she was reluctant to support a budget amendment until the Administration can provide a year end, and so asked Ms. Frayer and Mr. Brower when they would expect to see the year end budget amendments. Those including the vacancy factor and the rainy day fund. Mr. Brower asked for clarification on if she was looking for calendar year end. Council Member Wood noted it was part of the fiscal year budget, and referenced year end budget amendments for FY2017, FY2018 and FY2019, which took the vacancy dollars and moved them to the appropriate accounts. She noted to Ms. Frayer and Mr. Brower that that action cannot be done without Council approval, therefore asking where that amendment was. Ms. Frayer stated she took over in October, 2019 and was not involved in the final budget amendments when 2019 was closed and there won't be a final budget amendment for FY2019. Council Member Wood stated that by Charter and Ordinance, they have to provide it to Council. The Administration cannot move money from one account to another without Council approval. Ms. Frayer stated she was not sure if they did. Council Member Wood noted that the Administration cannot move funds from the rainy day fund and reserve fund to pay the bills she has informed Council they have paid, without coming to Council for approval. Council Member Spitzley agreed and stated she would not approve a budget amendment until Council has the year end as well. Ms. Frayer asked if they wanted the FY2019 final ending budget to look at. Council President Spadafore stated the Committee is looking at the overall budget amendment that shows expenditures for FY2019, as audited by the external auditor. Council Member Wood pointed out that the amendments that they have made cannot be done without Council approval, and therefore Council needs to see those numbers and the resolution to act on those. She asked Council staff to send the resolutions from June, 2017, June 2018 and June 2019 to the Administration so they can compare for the request. Council Member Spitzley then asked why the Treasurer was not present and could answer questions on the large income tax amount in the amendment resolution. Council President Spadafore admitted he did not request she be invite her but she can be brought in. Council Member Jackson asked from the last meeting, the reason for the Police and Fire pension amounts and Ms. Frayer stated the actuary sets the amount and the City chooses. Council Member Wood corrected the statement that the City does not choose, but are required to follow. Ms. Frayer stated when she started the budget was set. Council Member Wood made note that the actuary passes it on it is required, but the City cannot choose to fund partially. Ms. Frayer confirmed the Council does have discretion, and recommends to follow. Council Member Jackson why the amount for retirees was so high, and want pushed it over to that extent. Mr. Brower stated that the former Finance Director budgeted for a significant increase, based on old evaluation information. As they revised their estimates, per information from the actuarial, the cost increased more than the City budgeted it to increase. Council Member Wood apologized to Council Member Jackson, another member of the Ways and Means Committee, that the actuarial contractor came to the last Retirement Board meeting and they were not aware ahead of time. They were told at that meeting that part of the increase is in losses in smoothing it; taking losses over a period of 5 years. They also found out that they propose expected increases over the New Year, and it has gone down by \$1 million because of the investments that have been made. The Retirement Boards were told that one year might see an addition and the next year projections

might be down due to investments. Council President Spadafore clarified for the Committee that the amendment reflects information from the CAFR, a budget variance from the OCA due to a lawsuit and budget adjustment in Finance due to fines. He asked Ms. Frayer to explain what the \$2.5 million in IRS penalties comprised of. Ms. Frayer explained there were two different reports; either not filed at all or not filed on time. In addition the 2017 W-2's were late, and again in 2018. Lastly the ACA reports were not filed. It is speculated that this occurred because the software was not capable to address these items. Council President Spadafore asked what the \$1.2 million in health care was, and was told that \$720,000 was booked in FY2019 and the balance in FY2020, and it was related to health care that was not correctly funded. Council Member Betz asked if the previous administration was aware of these items, or it was just recently brought to light. Ms. Frayer stated that in her conversations with the current Administration, they were not aware. Council Member Spitzley asked what years the ACA reports were not filed, and Ms. Frayer confirmed it was the last three (3) years. Council Member Spitzley pointed out that the current administration has been here for two of those 3 years. Ms. Frayer expanded that the years were 2016, 2017 and 2018 and the reports are based on the previous years. Council Member Spitzley asked the Administration what type of disciplinary action has been taken on this roughly \$7 million deficit. Ms. Harkins stated the Finance department is different now, with new team members, and new practices to address issues. Council Member Spitzley asked if the Finance Director who has now retired, had any disciplinary action taken against her. Ms. Harkins stated that as soon as it was uncovered, she resigned. Council Member Wood asked if Ms. Bennett was a CPA, and Ms. Harkins was not able to confirm or deny she was. Council Member Wood then pointed out that if she was a CPA there are ways to file against her if she was in violation, and there is also insurance policies on officers, and asked the OCA if the City is trying to recoup the shortfall because the former Finance Director did not do her job. Ms. Harkins stated that is not anything they have discussed yet. Mr. Smiertka assured the Committee that as issues are uncovered, they are exploring all alternatives. Insurance policies are written for the City and for the protection of the officers. Council President Spadafore asked if there was any hope to recover the funds. Ms. Frayer responded that her team is working on reporting and submitting to the IRS, after 3 years, and negotiating the penalties. She confirmed the City has not written a check yet but will as soon as the reports are filed. Council Member Spitzley referred back to the income tax that was adjusted. Ms. Frayer noted the changes in this resolution were for the \$2.5 million in IRS penalties, \$720,000 for health care, and \$1.2 million in a lawsuit and \$1.5 million in the income tax adjustment. Council Member Spitzley asked why the City was paying \$1.2 million in the lawsuit and Mr. Smiertka stated it is because the City is self-insured. Council Member Spitzley then asked Ms. Frayer what her position with the City was currently. Ms. Frayer stated that there is a transfer out of the Mayor's budget for the Chief Strategy Officer contracted positions to the Finance department and that is also noted in the resolution in front of them. Council Member Spitzley noted that Council passed an ordinance for the Chief Strategy Officer to be in the Mayor's Office, so it is unclear how a transfer occurred out of the Mayor's office for her position. She noted that the recent flyer for the Neighborhood Summit lists Ms. Frayer as the Chief Strategy Officer, not the Finance Director. Ms. Frayer stated she is currently filling both roles. Council Member Spitzley asked where the budget item was for the previous Finance Directors salary. Ms. Frayer stated it would be in the vacancy factor because it is still vacant and not filled. Council Member Spitzley noted that Ms. Frayer just stated she had filled the Finance Director position, so why transfer funds from the Mayor's Chief Strategy Officer Position to the Finance position. Ms. Frayer admitted they do not have to, and she has had conversations with the Administration on filling both roles. Council Member Spitzley reiterated that Council passed an ordinance to have a Chief Strategy Officer. Council President Spadafore cited the Ordinance where it stated the CSO would work in conjunction with the Mayor's office, and Council Member Spitzley noted that position per the ordinance is supposed to be in the Mayor's office.

Mr. Smiertka went back to the insurance question on the Finance Director, and assured the Committee that they did notify the carriers, no matter what event, after discovery.

Council Member Hussain asked for what else the administration is doing to rectify the situation. Ms. Frayer informed the Committee that there is now three departments; Finance, treasury and assessing, all reporting directly to the Mayor. There is a new controller, new budget director and they have filled vacancies that were once staffed by temps. Ms. Harkins added they are also regulating and addressing purchasing and processing to determine better process changes. Council Member Wood noted that they are proposing moving \$300,000 from Public Service Personnel to Public Service operating for contracting, and asked what that was for. Mr. Brower stated that there is a contract with Johnson Controls and that covers their operating contractual costs. Ms. Harkins added that Johnson Controls is auditing City to see where changes can be made to make energy efficient improvements. The \$300,000 is to do the evaluation process, but the City only has to pay if they do not contract with them later. Council Member Wood asked that the Treasurer be invited to the next Committee meeting to speak to the Income Tax item in this amendment. Council President Spadafore acknowledged that the numbers are alarming, and recognized Council for bringing up topics, and the Chief Strategy Officer for finding the issues. He spoke in support of the budget amendments.

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE RESOLUTION FO THE MID YEAR BUDGET AMENDMENTS.

MOTION BY COUNCIL MEMBER WOOD TO TABLE ACTION ON THE MID YEAR AMENDMETNS. MOTION FAILED 4-4.

Council Member Spitzley again stated her reluctance to amend the budget because her concerns with still lack of information, the lack of details on the income tax position and the Treasurers attendance to answer those questions, concern on the Administration allowing the Finance Director to retire when funds and mishaps were discovered and no mention of an investigation into those actions. When the budget is delivered, she added, she will be going through it line by line.

MOTION TO APPROVE THE RESOLUTION AS PRESENTED, MOTION PASSED OUT OF COMMITTEE 5-3.

Ms. Harkins stepped away from the meeting at 6:12 p.m.

Presentations

Downtown Lansing Happenings– Cathleen Edgerly

Ms. Edgerly outlined upcoming events in the downtown area, spoke about the DLI work with new and existing business, along with a recent partnership with Lake Trust Credit Union on lease assistance for the 1st year of operation of a new business.

Council Member Garza stepped away from the meeting at 6:13 p.m.

Ms. Edgerly continued by noting they are continuing their work with LEAP and MEDC on supporting businesses. It was noted that the DLI is working on events for 2020 and one of those being the Taste of Downtown in July where they will partner with existing vacant brick and mortar locations to utilize them during the event, along with the downtown parks.

Council Member Garza returned to the meeting at 6:15 p.m.

Ms. Edgerly announced recently awards and recognitions Kewpee's and Kositcheks received.

Council Member Jackson stepped away from the meeting at 6:16 p.m.
Ms. Harkins returned to the meeting at 6:16 p.m.

Council Member Hussain asked how many residential units were in the DLI.

Council Member Spitzley stepped away from the meeting at 6:17 p.m.

Ms. Edgerly noted there are 800 +/- units, and 277 coming on line. In terms of the vacancy rate of the 800 she was not able to provide that information on residential. She did note to the Committee that they are working on cross communication with existing residential so they are aware of the businesses coming to downtown.

Council Member Spitzley returned to the meeting at 6:18 p.m.

Ms. Harkins noted to the Committee that she was told by the Gillespie group that their residential units; Stadium and the Outfield is at 94% occupied.

Briefing on Future Two-Way Street Conversions- Andy Kilpatrick, City of Lansing, Director Of Public Service

Mr. Kilpatrick provided an update on the future 2-way streets in downtown. He did noted that in 1999 three (3) of those streets were 2-way and converted to 1-way. Recently the City got a grant from the State for \$3.3 million, and they have until February, 2021.

Council Member Jackson returned to the meeting at 6:19 p.m.

Mr. Kilpatrick outlined their plan to convert the streets in summer/fall 2020, but there are various impacts they are working on including, traffic signals, the MDOT Capital Loop, loading zones, bike accommodations/bike paths and CATA stops. A website will be launched by the end of the week with details. As for meetings, there is a stake-holder meeting on March 3, 2020 with morning and afternoon sessions at Fire Station #1, and then a meeting for the public on March 31, 2020 with a location to be determined. Mailings will be sent out to the stake holders at the end of February. Consultants have been utilized for the conversion including a transportation consultant and civil engineer to address turns, curbs, etc.

Council Member Wood inquired in the process for the Capital Loop, since the City is currently maintaining the Blvd. areas and getting paid for that. If the City makes changes and takes those roads back, what would the increase in upkeep be on the City. Mr. Kilpatrick confirmed the City could take it back, and will get funds from and therefore will also have the flexibility on maintenance. Council Member Wood asked if the City would have to pay, would it come out of the transportation budget through Tri-County and then it would be incorporated into the City major street dollars, and Mr. Kilpatrick confirmed. Council Member Wood asked about any portions paid for improvements, and Mr. Kilpatrick noted it would depend on MDOT, and if it is a City road it would be eligible for additional funding. Council Member Wood then asked how many parking spaces will be taken to address delivery/loading zones along with CATA bus stops. Mr. Kilpatrick did not have a specific number, but assured them they are working with CATA who has stated they might not change their current routes, and as for deliveries/loading zones they might allow use of the center lane. Council Member Wood asked about accommodations at the parking ramps, and Mr. Kilpatrick assured the Committee that with the recent changes at the parking facilities, they are making accommodations for 2 way, and LCC is proposing two new parking ramps that will be in compliance with the 2 way traffic as well. Council Member Betz spoke in support of the bike lanes and bus stops, and asked instead of having the same amount of parking finding a way to allow for more biking and walking. Mr. Kilpatrick assured Committee that they are not looking to dismiss it, but there is a trade-off for

parking when a bike lane is put in. Once they receive input from the stake holders, public and consultants they will make a recommendation. Council Member Betz asked if they knew the percentage of parking that was used by residents vs. non-residents and Mr. Kilpatrick was not able to provide that percentage.

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MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM FEBRUARY 10, 2020 AS PRESENTED. MOTION CARRIED 8-0.

Other

{Closed Session}

MOTION BY COUNCIL MEMBER HUSSAIN TO GO INTO CLOSED SESSION AT 6:32 PM for Pursuant to MCL 15.268(e), I hereby move that we recess into closed session to consult with the City Attorney in connection with the following specific pending litigation. An open meeting will have a detrimental financial effect on the litigating or settlement position of the Lansing City Council concerning the case LE Battle Creek v. Clerk, City of Lansing, Lansing Medical Marihuana Commission, Ingham County Circuit Court case number 19-000883-AA. ROLL CALL VOTE, CARRIED 7-1.

{Reconvene}

Council President Spadafore reconvened at 6:40 p.m.

Adjourn

The meeting adjourned at 6:40 p.m.

Respectfully Submitted by,

Sherrie Boak, Recording Secretary,

Lansing City Council

Approved by the Committee on March 16, 2020