

CITY OF BURTON
FINANCE SUB-COMMITTEE MEETING MINUTES
MAY 28, 2013, 6:00 P.M., COUNCIL CHAMBERS
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Finance Chairman Vaughn Smith called the Meeting to order at 6:00 p.m.

MEMBERS PRESENT: Smith, Heffner and O'Keefe.

MEMBERS ABSENT: None.

OTHERS PRESENT: Mayor P. Zelenko, G. Burke-Miller, Controller, S. Warren,
Human Resource Director / Labor Relations and J. Adams, City Clerk.

PURPOSE OF THE MEETING: Discussion and possible recommendations regarding Auditing Services, Impact of Legacy Costs and OPEB Actuarial Valuations.

PRESENTATION:

Mayor Zelenko said they called the Finance Meeting in response to the letter received from Plante & Moran as well as Council's decisions regarding moving forward with auditing services.

Mrs. Burke-Miller mentioned going out for sealed bids on auditing services. Since the last meeting she received a letter for proposed fees from a company who has done the retiree health actuary evaluations for the last several years. The total cost will be \$17,390 and she requested the Finance Committee recommends to City Council that this be approved. She rounded this up to \$20,000 to allow Council to invite the actuaries to Council Meetings or other business meetings to discuss and provide further consulting regarding our funding level for that benefit plan.

AUDIENCE PARTICIPATION: None.

COMMITTEE DISCUSSION:

Mr. O'Keefe said the first thing is to decide if we want to put our accounting services out for bid. His concerns are what is happening on the audit side, not a written letter. He said Plante & Moran did not notify the Council with an appropriate timeline. With the situation this City is currently in we don't need any more speed bumps and changing a CPA firm is a major undertaking. Plante & Moran have been around many years and he feels they are trustworthy. He doesn't know any CPA firm who would have the firepower to take on the City of Burton and he doesn't feel changing firms right now would be a big help.

Mr. Heffner asked how long Plante & Moran has been our auditing firm.

Mayor Zelenko replied at least 20 years.

Mr. Heffner said that's an awful long time having the same set of eyes looking at our books.

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Mayor Zelenko said there have been different people involved but through the same company.

Mr. Heffner said through classes he's taken they suggest it's good to change from time to time and it's not always good to have the same company doing the auditing year after year. They say that is when cities tend to get in trouble so he is in favor of putting this out for bid.

Mr. Smith had asked Mr. Harburn what additional services might be included that was mentioned in the letter received. He said Mr. Harburn was going to put together a program that would help us with our MERS situation and try to bring together resources to move forward.

Mayor Zelenko said she doesn't know what more they can do with the MERS situation when every attempt we have made has been shot down by MERS.

Mrs. Burke-Miller said having an independent third party look at options is a smart move by Council. There should have been a third party looking at it prior to the City getting into the plan. You would pay more for it but it covers us and if something is off track then you know where to point the finger. We are signed into this contract with MERS and our hands are tied with them. Right now our best options are to negotiate with the unions to try to change some of the plans. For new hires if we go with the Hybrid Plan then there is no cost out of pocket. She preferred we convert to a defined contribution plan but we have to get to that 50% funded level then the downside is they would speed up our amortization schedule by two years so that won't help us in the short term.

Mr. Smith inquired about offering a 1 year agreement. He does not have complete confidence in our books being correct.

Mr. O'Keefe asked Mr. Smith what he is expecting from an auditing firm.

Mr. Smith would like to see if Mr. Harburn has come up with something new.

Mr. O'Keefe asked is there something they are not doing that Mr. Smith thinks they should.

Mr. Smith would at least like to give the firm a chance to show us what they can do.

Mr. Heffner said what more can they show us after being here more than 20 years.

Mr. Smith said we are asking more of them now because of the situation we are in. They have done a good job doing our audit but thinks we need more than that.

Mr. O'Keefe asked Mr. Heffner what he is additionally looking for from the firm.

Mr. Heffner said a fresh set of eyes to see anything that may have been missed.

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Mr. O'Keefe said this is a CPA firm who is selling us something and he doesn't know what their benefit could be in doing a shoddy job other than to lose other jobs. These firms take an Oath and if they are not doing the right thing they can be disbanded as a CPA. To let a company go just because some people think they have been here too long does not have validity to him.

Mr. Smith said that is why going to a 1 year agreement is letting the firm know we have some concerns.

Mr. O'Keefe said he would support a 1 year agreement but the Council has some responsibility here too. How many times other than once a year was Mr. Harburn here to talk to Council. He should be here more often if Council has had questions. He feels the firm has done the job well.

Mr. O'Keefe said our Legacy Costs including MERS is going to be a serious problem. It will wreak havoc in the City with both employees and retirees.

Mrs. Burke-Miller didn't know who the carrier was that would have had the money that allowed certain retirees to walk away with \$300,000 to \$400,000.

Mr. O'Keefe said it is going to come down to the employees or the retirees because there is not going to be enough money to get through.

Mr. Heffner said maybe there is legal action we need to take against MERS.

Mayor Zelenko said Mr. Heffner may be right but she doesn't know how she would get information regarding contributions made by the employees.

Mrs. Burke-Miller asked what outcome the Council is looking for because the retirees are somewhat protected by the law. She said it is some of the retirees fault because some were the decision makers and they took off with that but the others not so much. She has a lot of hard feelings about this situation too because her retirement is affected as well.

Mr. O'Keefe reiterated that they are fairly protected, not 100% protected. He has never heard of an employee being instantly vested and some able to retire in 2 years. When there is a retirement program set up there also has to be approvals. He compared some of this to Bernie Madoff.

Mr. Smith is trying to be fair with current employees and retirees. We will be asked to make challenging decisions in the next few years regarding healthcare, which will impact the families so we need complete information. This will rock people's world's and not in a good way.

Mr. Heffner suggested that Richard Hamilton who was the Attorney at that time could come and answer questions.

Mayor Zelenko replied that would not be without cost.

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Mr. Smith said we are looking at \$25 million unfunded dollars so if we are possibly owed money that would be a substantial help.

Mr. O'Keefe said 60 people got millions of dollars overall and walked with that money without rolling it back into the program. The residents are going to want to know that but they don't have to know who the employees were.

Mr. Smith asked if there was paperwork showing what our pension obligations were with MERS and he would like to know who signed that paperwork.

Mrs. Burke-Miller said she would do research to see what she could find.

BOARD RECOMMENDATIONS:

O'Keefe moved and Heffner seconded the following motion:

1. The Finance Committee recommends to the City Council to authorize a 1 year contract with Plante & Moran.

Motion carried 3-0.

O'Keefe moved and Heffner seconded the following motion:

2. The Finance Committee recommends to the City Council to allow the Mayor and Controller be engaged with Plante & Moran for 3 years.

Motion carried 3-0.

Meeting adjourned at 6:45 p.m.

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