

**MINUTES OF A SPECIAL BOARD MEETING OF THE
RECREATIONAL AUTHORITY OF
ROSEVILLE AND EASTPOINTE
HELD ON THURSDAY, MAY 22, 2014**

The meeting was called to order at 6:35 p.m. at the Recreational Authority Recreation Center, 18185 Sycamore, by Chairperson Aiuto with the following Board Members present:

Duchane, Frontera and Marion

Absent: Switalski

Administrator present: Director Lipinski

Presentation by the City of Eastpointe to Conduct Financial Administration of the Recreational Authority of Roseville and Eastpointe:

Randy Altimus informed that Board that initially when RARE was set up the discussion was that the City of Eastpointe would take over finances because at that point Roseville was already doing SERESA; unfortunately when it got passed the City of Eastpointe didn't have a finance director, or controller or part-time help so Roseville stepped in and assumed that role; believe at this point it is our time to contribute and be part of the team and originally it was supposed to be that way; introduced Finance Director Randall Blum, Controller John Modzinski and Scott Stepaniak a part-time employee who works with the Finance Director and Controller.

Randy Blum, Finance Director and Treasurer, informed the Board that originally Eastpointe would take over RARE while Roseville kept SERESA. Director Lipinski asked if that was how it was intended because he didn't remember that. Mr. Blum informed him that the original Articles of Incorporations were written that way but as we got staffed up the Sanitary District and Disposal Authority needed financial assistance so each City had two authorities; the Sanitary District and Disposal Authority have transitioned to other financial support and alleviated us of some work and time to take over the finances for RARE; have sixty-seven years of finance and accounting experience; very experienced staff; if one were to leave, we would still have two employees to handle the slack; very capable to take over the work without any issues; we both use BS&A so there are no transitional issues and with Ms. Dancey leaving it is our time to take over finances.

Vice Chairperson Duchane asked Mr. Blum to touch on the fee and financial structure for the services. Mr. Blum commented that currently RARE is paying \$60,000 for financial support and we looked at that and think we could save some money; RARE books are part of Roseville's BS&A software and don't have separate general ledger, payroll, accounts payable; etc. and one of the things with the proposal we would cover some transitional expense to get RARE on their own BS&A modules.

Chairperson Aiuto asked are we doing it wrong. Mr. Blum replied yes because RARE is a separate independent organization with a separate federal ID number; employees are RARE employees, not Roseville employees, so need to get a RARE W-2 with the RARE federal ID number; need to have separate BS&A modules; for the first year we would use some of the \$60,000 and include the transitional costs in that.

Chairperson Aiuto commented that he has a problem with us doing it wrong and asked why he didn't bring it to our attention before tonight. Mr. Blum replied that it was brought to the attention of others over time. Chairperson Aiuto responded that he didn't bring it to his attention. Mr. Blum responded that it wasn't his role to bring it to his attention.

Board Member Marion asked what the estimate of transitional cost was. Mr. Blum replied that licensing for the Sanitary District was about \$4,000 each and with extra payroll module would be about \$6,000 and probably less than \$1,000 for printing costs and check stock.

Board Member Frontera commented that RARE is the healthiest of the groups (City of Eastpointe, City of Roseville and RARE) and asked what are you doing to get Eastpointe to be financially solvent. Mr. Blum responded that we have done everything to come up with additional revenue sources; street lighting assessment; created a sewer lateral assurance program; have participated with State legislature to get legislative amendments that would allow special assessments for public safety; Eastpointe does have a revenue issue; we have reduced our costs and negotiated contracts; reduced annual operating costs by \$6,000,000.

Vice Chairperson Duchane asked what Eastpointe's general fund balance is. Mr. Blum replied that last year's balance was \$8.8 million.

Director Lipinski asked does one of the finance people here do payroll. Mr. Blum responded that we have a payroll clerk and an accounts payable clerk. Director Lipinski asked what the schedule for disbursement of checks is. Mr. Blum responded that we can do it on any schedule that RARE needs. Director Lipinski asked can we get a check in two days. Mr. Blum replied yes.

Vice Chairperson Duchane asked Mr. Blum to mention a little about the background of the individuals. Mr. Blum responded that his education is Bachelors in Accounting from Walsh College and Masters in Finance from Walsh College; Mr. Modzinski has a Bachelors of Science and Masters of Public Administration from Oakland University and is a CPA; Mr. Stepaniak has a Bachelors in Accounting from Baker College. Work experience – he has been with the City of Eastpointe since 2002 as Controller and became the Finance Director in 2009; Mr. Modzinski was the Finance Director in Clawson, Finance Director in Grosse Pointe Farms and is currently the Controller; Mr. Stepaniak's only municipal experience is three years with the City of Eastpointe.

Board Member Marion commented that he is curious about W-2/1099 issue, it has been wrong since the beginning and we are treating RARE as an illegal entity. Mr. Blum replied yes.

Presentation by the City of Roseville to Conduct Financial Administration of the Recreational Authority of Roseville and Eastpointe:

Scott Adkins, City Manager for the City of Roseville, gave a PowerPoint presentation and touched on the highlights – Financial Services: Beyond the Basics – Roseville performs the basic accounting functions, audit, budget preparation and an Administrative Services Plan was to be developed in November 2011 which would cover additional features such as health care administration, health savings plan administration, pension/health care fund transfers, financing for bonds, insurance, purchasing activities; office and other supply purchasing, information services support, building maintenance support, retirement and retiree health care savings plans, discounted engineering rate through the City of Roseville's municipal contract.

Addressed concerns over W-2's; Plante Moran has never indicated any issue violating any general accounting practice with the W-2's for RARE; certainly an issue with BS&A and right direction to go with BS&A modules for RARE; other aspects interwoven into the financial mix and these are pieces that would need to be considered and separated; History – framework of creating the Authority through 2011 and framework was addressed in the Articles of Incorporation and By-Laws with a reference to an Administrative Services Plan that was never created or adopted; Authority's existing recreation programs and activities are a direct extension of the programs, services and daily operating procedures that were in place under the former Roseville Recreation Department; Roseville handled the accounting/management services initially to ensure the continued success without interruption; should continue in this manner because there have been no substantial complaints received to date, moving forward with continued

efficiency and compliance to accounting standards, no increased risk to operational costs from transition to new benefit programs, no increased work for the Authority's auditing firm and to not jeopardize any progress already made concerning the Authority's building expansion and renovation project; important that we agree in Roseville that Eastpointe is very well qualified to perform accounting services; Staffing – City Controller, Assistant Controller, Purchasing Assistant, Accounting Clerk, Administrative Assistant (payroll and accounts payable/receivable) and part-time Administrative Assistant; Assistant Controller is a CPA, however, hired a new Assistant Controller with fifteen plus years experience, CPA, worked for several government entities and worked for Plante Moran; Controller Cady announced his retirement and will be interviewing candidates shortly and all are required to be a CPA.

Chairperson Aiuto asked is payroll handled by the people in the chart. Mr. Adkins replied yes.

City Controller – will fill the position as soon as possible, Assistant Controller will be trained by Ms. Dancey, Accounting Administrative Assistant – does payroll, accounts payable/receivable and handles some of the governmental reporting pieces, Accounting Clerk (part-time) – assist in preparation of reports, reviews transaction reports; Purchasing Agent – coordinates all procurement activities, bidding process, purchasing process, administers insurance programs with ten plus years of experience; Administrative Assistant (part-time) – assist in health care activities.

Staffing Effects on Authority: Important pieces in the case of Roseville continuing the services we have continuous working knowledge of the BS&A software for payroll, accounts payable/receivable, purchasing and all the pieces are already established; whether services are done by Roseville or Eastpointe there will be a transition effect but right now the systems and processes are already in place in Roseville; we expect to follow the same standard of excellence for the Authority as we do for the City; transfer would be time consuming and expensive to process BS&A material. Other pieces that are interwoven in services provided by Roseville would be building maintenance, vehicle usage and insurance, utilities and other services and would need to be carefully dissected out.

Conclusion: Any change is not a decision that should be taken lightly; hasty decision could result in cost increases for legal reviews, benefit reviews, etc.; no one wants to see a disruption in services to the residents or employees; although staff members may change on either side the same level of quality service would be delivered as expected; Roseville provides two-thirds of the funding for the Authority so we certainly aren't going to downplay the importance of great service to this Authority.

Vice Chairperson Duchane asked what the general fund balance for Roseville is. Mr. Adkins replied \$5.2 million. Vice Chairperson Duchane asked if AEW is the engineer for Roseville. Mr. Adkins replied yes. Mr. Duchane asked if he was familiar with Resolution No. 1 of the Authority. Mr. Adkins responded that he did review that document. Mr. Duchane asked if he reviewed the organizational plan. Mr. Adkins responded yes and in the minutes there also was a reference to the Administrative Services Plan that he never found.

Board Member Marion asked if there is a contract in place for financial services with Roseville. Chairperson Aiuto replied no, there is not a contract, it is a matter of what is going on and the trigger was Ms. Dancey leaving so let's take a look at this and doesn't mean we have to make a change. Board Member Marion asked are we looking at issuing a contract for financial services. Chairperson Aiuto responded that he doesn't see that. Vice Chairperson Duchane responded that we might do something like a resolution. Board Member Marion commented that they are doing the services for \$60,000. Chairperson Aiuto responded that we are not going to change the cost and Board will vote on this at the next meeting.

Board Member Frontera commented that he didn't know that RARE employees were being paid under Roseville's EIN and wants to know if we can use our own EIN going forward. Chairperson Aiuto responded that it was stated that that could be done. Board Member Frontera commented that RARE is

not a part of Roseville or Eastpointe; it is its own separate entity. Mr. Adkins commented that we would recommend that separate BS&A software be used for RARE.

Mr. Blum commented that the issue of W-2's and 1099's is not something that the auditors would be looking at, it would be the IRS coming in to do a compliance audit; needs to be separated whoever handles the finances. Ms. Dancey commented that they had discussions with Plante Moran and they had no problem with that.

Chairperson Aiuto commented that it is a bigger, broader decision that we need to make; that matter is who we want to do our financial services.

Board Member Marion asked if there will be additional costs for software. Mr. Adkins replied that we have absorbed those costs through the City of Roseville. Board Member Marion asked if it is enough. Mr. Adkins replied that it may not have been enough at the beginning but now we are maintaining it.

Chairperson Aiuto informed the Board that if they had any questions prior to the next meeting, contact Mr. Adkins or Mr. Duchane.

Hearing of the Public:

Betty Ulrich (25296 Hayes, Roseville) asked in all this what about the employees, are their benefits going to be protected and who will pay for their benefits.

Vice Chairperson Duchane responded that there are no Roseville employees at this time. Director Lipinski responded that RARE employees fall under the benefit plans of Roseville. Ms. Dancey responded that when the Authority was begun their (Bobbie and Tony) employment was transferred to the Authority and pensions were frozen with the City at the time, new benefits are administered under the City of Roseville and if they transferred to Eastpointe their coverage would be transferred to Eastpointe and the Authority reimburses the City for the benefits.

Director Report:

Director Lipinski informed the Board that he had a meeting with his staff and they had concerns; main point was concessions made by staff leading into this Authority and new employment agreements with no increases; biggest concern is change, whether it is a change to day-to-day operations and one constant was the day-to-day financing functions and probably biggest concern is changes in insurance; said he would share their concerns and knows that either entity could do the financial administration; thinks the Authority has gotten things moving forward and with upcoming building expansion having a change like this may be something to consider; reminder that the Farmer's Market starts this weekend from 9:00 a.m. to 2:00 p.m. at Nine Mile Road and Gratiot; reminder that June meeting was rescheduled to June 26th.

Board Member Reports:

Board Member Frontera had nothing to report.

Board Member Marion asked if this was going to be an agenda item for next meeting. Chairperson Aiuto replied yes.

Vice Chairperson Duchane commented that the definition of joint doesn't mean that we keep everything; you can contract with health care and it isn't fundamental to the decision; fundamental to the decision is finding who is going to be here July 1st to work on the issues.

Chairperson Aiuto commented that his biggest concern is unintended consequences; both teams can do the job, what we don't know is what we don't know; whether it is changing the health care or changing a

variety of topics; we are finally getting our footing and getting traction and we have enough bumps in the road so keep that in mind while we contemplate our decision and will vote on it at the next meeting.

Adjournment:

Motion by Frontera, seconded by Duchane, to adjourn the meeting at 7:26 p.m.

MOTION CARRIED

Linda S. Lince, Acting Secretary