City of Pontiac Financial and Operating Plan, June 7, 2013

The following plan is submitted in accordance with Public Act 436 of 2012 and replaces all other financial and operating plans on file.

Current Financial Condition of the City of Pontiac

As of June 30, 2013, the City of Pontiac is projected to complete the 2012-2013 fiscal year with a surplus of approximately $575,000. According to professional standards, the City should have a fund balance of approximately two months of operating expenditures, which would be about $5,000,000. This demonstrates that the City is not yet considered financially healthy, but the fund balance demonstrates that the City has improved significantly since the end of the 2011-2012 fiscal year, which ended with a fund deficit of $3.4 million.

The positive estimated fund balance for the current fiscal year was the result of a significant one-time source of revenue. In August of 2013, the City realized a one-time revenue infusion of $50 million upon the monetization of the waste water treatment plant. Proceeds from the monetization allowed the City to retire $36.2 million of existing bonds issued by the City saving the City an additional $12.7 million in interest over the next 15 years. These proceeds also allowed the City to make contributions of $4.2 million to the Police and Fire Pension and VEBA plans of the City, thus eliminating the need for a court-ordered tax judgment on the property owners, and a $4.0 million payment to General Motors in exchange for General Motors forgiving the City $11 million for a property tax refund owed by the City.

On occasion, I have been criticized for using the proceeds from the monetization of the waste water treatment plant to retire bonds rather than using the proceeds to pay retiree health insurance and other post employment benefits. My response is that by paying off bonds early, the City has saved $12.7 million of interest costs which is now available to pay for city services such as police and fire protection. My plan as Emergency Manager has always been to reduce the City’s debt rather than to issue more bonds and increase the City’s debt, which would simply delay the impact of the City’s financial crisis. If I had not paid off the bonds, the City would not have a structurally balanced budget and would have needed to consider the reduction of police and fire services since those two services comprise about $17 million of the City’s $30 million budget.

I have prepared a two-year budget for the City of Pontiac as required by Public Act 436. The budget is structurally balanced. The budget message discusses the current financial condition of the City in greater detail. I continue to stress my concerns of the decreasing property tax base over the next three years and the method to fund retiree health insurance into the future.

After all one-time revenues and expenditures are removed from the budget, the City must operate on revenues of approximately $30 million each year. These revenue challenges have forced the city to make difficult policy decisions on which programs the City can and
cannot offer. Under more favorable revenue projections, the City could budget additional funding for nuisance abatement such as illegal dumping, tall grass, buildings open to trespass, and dangerous buildings, but until revenues recover, the City will need to provide limited nuisance abatement programs. The City also needs to implement a sidewalk inspection program and inform property owners of defective sidewalks to shift the liability from the City to the property owners.

The financial condition of the City has significantly improved over the past year as a result of the successful implementation of a variety of initiatives that have helped reduce long term liabilities and improved service delivery to the residents of Pontiac. However, additional savings or revenues need to be achieved so that at the minimum, the fund balance is increased to a professionally accepted level of at least two months of operating expenditures.

Successful initiatives completed to balance the budget over time include:

Completed Major Projects with Long Term Benefits
- Reduction in General Fund expenditures from nearly $57 million six years ago to $28 million to match the reduction in revenue. Working to finalize a structurally balanced five-year budget where operating revenues support operating expenditures without the use of one-time sources of revenue.
- Water and Sewage Disposal System – sale of excess capacity for $55 million with proceeds used to retire City debt.
- Reduced City's bonded general fund obligation debt from $106 million (June 2010) to $29 million (May 2013). Saved City's general fund $12.7 in future interest payments.
- Negotiated $4 million payment to GM to settle $15 million of debt owed.
- Upgraded City's bond outlook from negative to stable (Fitch).
- Structured the City's tax increment finance authority to meet its debt obligations without incurring a subsidy from the general fund.
- Negotiated Labor Union Contracts with present contracts expiring in 2016 giving the City a solid cost structure. Among the concessions gained from most unions included: elimination of retiree insurance for new hires; closure of the GERS defined benefit pension plan and creation of a defined contribution pension plan for new hires. Acceptance of new health and dental insurance cost sharing program. Acceptance of new health and dental insurance plan designs. Elimination of optical insurance, hearing insurance, disability insurance and longevity payments for current employees. Contracting of law enforcement services with Oakland County Sheriff. Contracting of fire protection services with Waterford Regional Fire Department.
- Reduced number of full-time city employees from nearly 502 six years ago to the proposed number of 20 (excluding court employees), thus nearly eliminating the long term costs of pensions, health insurance, and other post employment benefits to future retirees, as only five employees will receive these benefits.
• Hired educated, professionally trained, experienced, flexible, and motivated staff members whom work to address the needs of the City without the long-term liabilities of pensions and other post employment benefits.
• Numerous lawsuits settled resulting in substantial savings to the City.
• Instituted general liability insurance revisions resulting in substantial savings to City.
• As of July 1, 2013, City is no longer self-insured for workmen's compensation.
• Pontiac Public Library separated from City, eliminating liability and financial dependence.
• Pontiac Housing Commission separated from City, eliminating liability.
• Retirement Board personnel separated from City, eliminating liability.
• Police department disbanded, eliminating liability.
• Fire department disbanded, eliminated liability.
• Water and sewer system transferred to Oakland County Water Resources Commission, eliminating liability; customers to realize cost savings.
• Contracted all DPW City services and sold all equipment and property, thus eliminating the cost of equipment, facility improvement and management, and eliminating the long term costs of pensions, health insurance, and other post employment benefits to retirees. DPW Equipment Auction resulting in one-time net revenues of $633,000 million. Sold DPW Building to Consumers Power, eliminating the potential for environmental liabilities.
• Streamlined, consolidated, relocated, and improved efficiency of departments within one building - City Hall - to improve customer service.
• Installed security cameras in City Hall and restricted after hour access to the building to only critical staff. Staffed city hall during public meetings for security reasons and to insure compliance with the Open Meetings Act.
• Instituted a program of retention, storage and shredding of records - (252,250 lbs. or 126 tons shredded to date) in conformance with the Record Retention Policy.
• New telephone system and new computer systems purchased to improve customer service.
• New BS&A software purchased which consolidated four non-interfaced financial management software systems into one integrated financial management system saving over $200,000 per year and allowing management to better monitor the City's finances and enhanced internal controls.
• Redesigned city web site to be more user friendly.
• Revised or adopted dozens of ordinances to comply with State law and improve the operations of the City.
• Reviewed various fees and adjusted fees to cover the cost of the City providing service.
• Implemented sanitation fee to eliminate general fund support.
• 50th District Court funding subsidy reduced about $500,000 along with cooperation with the Court to increase efficiencies in operations.
• Centerpoint Parkway agreement cancelled, saving City at least $1,000,000 in necessary improvements.
- Signed lease agreement with Martin Baseball Group to improve Jaycee Park and operate a youth baseball program.
- Abolished nonfunctioning and inactive boards and commissions.
- Appointed a Board of Appeals comprised of three construction professionals and two residents concerned with blight to make the final decision on the condemnation of dangerous buildings, thereby removing the city council from the decision making process.
- Required a cash bond from property owners who promise to correct major property violations in exchange for not condemning a structure.
- Released liens on over 200 privately owned properties that had previously received federal funds for property improvement; liens should have been released many years ago.

Economic Development Projects
- Improved the ability for developers to work with the City by eliminating the need for the City Council to approve each new business opening in the City.
- Approval of the Oakland County One-Stop Ready program that demonstrates to developers that the City is an easy place to do business.
- Ended the unofficial and illegal practice of requiring developers to receive support from local council districts before plans being considered by the Planning Commission.
- Worked in cooperation with the Pontiac Downtown Business Association for special events inside the loop.
- Worked with the Pontiac Downtown Business Association to continue the Main Street USA program.
- Abolished the Economic Development Corporation and Downtown Development Authority, eliminating the fractured economic development governing structure that was often at odds with the City and eliminating unnecessary costs of duplicated services.
- Supported the rezoning petitions of a former GM Site rezoned to make way for new retail, M1 Concourse on a former GM site, and Ultimate Soccer for new development which will increase the property tax roll and increase income taxes.
- Authorization to allow the Oakland County Brownfield Redevelopment Authority to manage the cleanup and redevelopment for M1 Concourse.
- Approved the Brownfield Redevelopment Plan at the site of the former Sears that resulted in the construction of the Lafayette Lofts, Lafayette Market, and Ultimate Fitness.
- Granted tax abatement to General Motors for new research facility which will result in 300 new jobs and increased property taxes.
- Granted tax abatement to 28 North LLC for the purpose of creating residential lofts in downtown Pontiac.
- Denied tax abatement to the owners of the Pontiac Silverdome which would not have resulted in any new jobs.
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- Cancelled the Bloomfield Park Brownfield Plan freeing thousands of dollars in previously captured property taxes to be used for the City's general fund.

General Fund Departmental Cost Savings and Service Improvements

General Government
- City Council - Staff eliminated. Benefits for elected officials eliminated. Salary reflects the charter identified role of a part-time councilmember. Annual savings - $450,000.
- Mayor’s Office - Staff reduced. Current staff receives no benefits. Annual savings - $200,000.
- Controller and Budget Administration (Plante Moran) - All staff eliminated. Contracted with a full-service governmental accounting firm with all staff being licensed CPAs. Annual savings - $46,000.
- Accounts Payable and Purchasing - Hired accounting specialists in the field. Annual savings $125,000.
- Income Tax Administration (Innovative Software Solutions) - All staff eliminated. Software vendor processes income tax returns and payments. Income tax returns entered into system upon receipt. Electronic filing instituted. Electronic payments instituted. Income tax refunds issued within two weeks, saving the City from paying interest. Participated in State non-filer program to identify additional tax revenue. Invoices mailed to delinquent tax payers. Annual savings - $175,000.
- Vital Records (Oakland County Clerk) - Reduced staff. Transferred to Oakland County Clerk. Vital records now protected from fire. Revenue from sales failed to cover cost of staff needed to service requests and pay for proper protection.
- Internal Auditor - Eliminated staff. Simplicity of current operations negates the need for an internal auditor. Function can be performed by City's external auditor upon request. Annual savings - $265,000.
- IT Services (SARCOM) - Eliminated staff. Annual savings - $60,000.
- Assessing & Property Tax Appeals (Oakland County Equalization) - Maintained by previous action of City; however, renewed agreement now has Oakland County handling minor matters before the Tax Tribunal saving the city legal fees of approximately $100,000.
- Elections - Reduced number of precincts from 28 to 21 and number of voting locations from 11 to 9, making election setup and Election Day administration more manageable. Reduced election costs by 25%.
- Building and Grounds (Kristel Cleaning) - Selected new service provider. Biannual carpet cleaning included in contract. Annual savings - $38,400.
- Legal Department (Giamarco, Mullins & Horton) - Staff eliminated. All attorney services, previously provided by fifteen outside firms in addition to city staff, now less than one multispecialty firm. Annual savings - $280,000.
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- Human Resources - Staff reduced commensurate to the overall reduction in City staffing. Payroll function separated from Human Resources to improve internal controls. Annual savings - $300,000.

Public Safety
- Police Services (Oakland County Sheriff) - More officers on the street and significantly better response time. Annual savings $2.2 million.
- Dispatch (Oakland County) - Savings and efficiencies included with police services.
- Crossing Guards - Crossing guards assigned and supervised by Oakland County Sheriff. Annual savings - $100,000.
- Fire Services (Waterford Township) - Improved response time. Annual savings $3.6 million.
- Building Department (Wade Trim) – Number of inspections per inspector per day increased from 2.12 in fiscal year 2008-09 to 9.38 in fiscal year 2011-12. Wade Trim staff performed more code enforcement inspections during the first nine months of 2011 than City inspectors performed in all of 2008, 2009, and 2010 combined. Wade Trim inspectors averaged 2,365 inspections per year while previous City staff averaged 525 inspections annually per inspector. Improved business licensing and rental registration program.
- Animal Control (Oakland County) - County now provides service County required to provide to the City by law for free. Annual savings - $80,000.

Public Works
- Street Patching & Rail Maintenance (Asphalt Specialists Inc.), Street Sweeping (National Industrial Maintenance, Inc.), Street Winter Maintenance – major roads (Oakland Co. Road Commission), Street Winter Maintenance – major and local roads (TDE Group USA Inc.), Street Signs Maintenance (Great Lakes Municipal), Traffic Signal Maintenance (J. Ranck Electric), Street Light Maintenance (J. Ranck Electric) – Eliminated staff. Sold all equipment. Sold DPW property. Annual savings will be several hundred thousand dollars.
- Engineering Department (Tucker Young Jackson Tull) - Eliminated staff. Engineering services on call. Annual savings $650,000.
- Soil Erosion and Sedimentation Control (Oakland County Water Resources Commission) - County now provides service County required to provide to the City by law for free.
- Trash Pick-up (Advanced Waste/Veolia) - Call center, special pickups, downtown and park waste collection services now provided by vendor. Annual savings – Increased and improved customer service at no cost to the City.
- Water, Sewer and Sewage Disposal System (Oakland County Water Resources Commission) - System now operated by professional waste water treatment operators.

Health and Welfare
- Emergency Medical Services (Star EMS) - Service provided at no cost to the City. Annual savings included with Fire Department savings.
Community and Economic Development

- HUD Federal Programs Administration (Oakland County) - Assignment of funds to Oakland County prevented federal government from withholding all funding due to 20 plus-year long record of federally documented poor management of prior programs. Home improvement program reinstated after being suspended. Greater focus on a limited number of projects allows projects to be bigger and more effective. Hired an attorney who specializes in federal funds to insure funds are properly spent.
- Planning and Zoning (Wade Trim) - Planning Commission reconstituted to comply with new State law. Planning commissioners properly trained. Zoning amendment updated to comply with new State law. Annual savings - $100,000.

Recreation and Culture

- Grounds Maintenance – All services provided by subcontractors. Community Centers closed or sold. Annual savings $440,000.

Other Functions

- Insurance Administration (Meadowbrook & Huttenlocher) – Risk Management staff eliminated and duties disbursed among remaining staff and insurance agents. Annual savings - $80,000.

Debt Service

- Eliminated annual payments of direct general fund expenses of $2.1 million to pay Budget Stabilization Bonds.
- Eliminated annual payments to subsidize shortfall in the Tax Increment Finance Authority of at least $2,369,394.

Transfers Out (Subsidies)

- Parking System - All parking lots sold. Parking meters removed. Downtown parking enforcement assigned to Downtown Business Association - Annual savings - $445,000 in personnel costs and any capital and maintenance costs.
- Cemeteries managed by Detroit Memorial Park Cemetery Management - Annual savings - $475,000
- Golf Course Management (Torre Golf Management) - Annual savings - $430,000 and capital costs.

State-Approved Temporary Contract Modifications

- Health Care and other Insurance Reforms - 87 plans consolidated into 5, improving management efficiencies.
- Instituted Pension & VEBA funding changes
One-Time Projects

- Applied for and received $996,000 in State Demolition Grant Funds allowing the City to demolish approximately 150 dangerous buildings which will improve neighborhood stability and public safety.
- Applied for and received State EVIP Funds for the Fire cooperative agreements receiving nearly $250,000 in implementation cost recovery.
- Streetlight Improvements – new LED lights installed in downtown area to improve public safety in the business district
- Property Sales – numerous and ongoing, reducing liability and maintenance expenses. Placed all of the City’s parking lots, former landfills, former community centers, long-closed fire station, former library building, and hundreds of vacant residential lots on the tax roll.
- Sold vacant Strand Theatre and 8 N. Saginaw office building for redevelopment in downtown Pontiac, eliminating the drain on the City’s finances.

Nearing Completion

Among the projects still pending and nearing completion are:

- Phoenix Center Demolition (in process, litigation pending), will save the City at least $500,000 annually in expenses for the structure to stand vacant.
- Working to transfer the small business loan program from the now abolished Pontiac Economic Development Corporation to the Oakland County Economic Development Corporation.
- Closure of the Collier Road Landfill. Should free several hundred thousand dollars that can be used to reduce the sanitation user fee.
- Neighborhood Enterprise Zone for fifty new owner-occupied housing units.
- Adoption of revised personnel policies and financial management policies and several other ordinance revisions.

Financial and Operating Plan

In order for the City to return to local control and operate as a progressive modern American City, the City must continue my initiatives highlighted above and also address those issues under its control, including working to stabilize and begin to increase its sources of revenue by supporting private sector economic development projects and creating a business-friendly environment in City Hall.

The major initiatives going forward are as follows:

1. Modifications to Collective Bargaining Agreements – Under Public Act 4 of 2011, the City received permission from the State Treasurer to temporarily modify provisions of collective bargaining agreements. These temporary modifications assisted the City in reducing expenditures and balancing its budget:
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- Consolidation of over 72 health, dental, life, optical, hearing, and disability plans into four health insurance plans, two dental insurance plans, four classes of life insurance, and the elimination of optical, hearing, and disability plans for active employees and retirees. These waivers save the City $6,000,000.
- Waiver of the provision of the contracts with the police and firefighters to make an annual contribution to Police and Firemen VEBA. This waiver saves the City $5,079,102.

These waivers need to be continued through the period of receivership as the City does not have the revenue to support the original contractual provisions.

2. Retiree Health Care Funding Solutions – The single largest expense to the City for which the current residents receive no benefit is for the legacy costs of retiree benefits, totaling over $6 million in the general fund, despite the reasonable changes made to health, dental, optical, and life insurance over the past year. The City is self-insured for health insurance up to the first $200,000 of claims submitted per employee and retiree insurance contract of non-Medicare eligible retirees. With 1,200 retirees, 500 of which are on the City’s self-insured plan, this means that the City faces an annual exposure up to $100 million per year. Currently, the city does not generate enough revenue to continue to support these benefits at any level. In November of 2012, the voters of the city clearly stated that they do not want to increase taxes to pay for such benefits as they defeated a proposed millage dedicated to paying the benefits of retirees. Therefore, the City is left with limited options. The best option is to close the city’s defined benefit pension plan and to transfer the assets to the Michigan Employee Retirement System. At its latest actuarial evaluation dated December 31, 2012, the GERS plan has total assets of $450 million to pay benefits valued at $300 million. This leaves an overfunding of $150 million that can be used to fund retiree health insurance and other post employment benefits. Even with the transfer of the $150 million, the pension plan would be more than adequately funded, at a level of 120%, and professionally managed and will allow approximately $150 million to be divested from the pension plan and deposited into the Michigan Employee Retirement System Health Care Savings Account. MERS has a proven record of sound investment strategies. Unfortunately, this decision can only be made by the GERS Board, and they are opposed to even investigating the possibility. Therefore, there is only one feasible option: the elimination of retiree health care and dental benefits. The City’s current benefit administrator has identified a plan that retirees could enroll in, but the benefit levels are lower than retirees currently receive. To assist in the deferment of the costs of the plan, a one-year pension enhancement in an amount to be determined will be provided to all pensioner recipients. Understanding that the overfunding of the pension plan was the result of the overfunded hospital pension plan merging with the underfunded GERS plan many years ago, hospital retirees will also be given a one-year increase in their pension. After the one year, unless the GERS Board agrees to dissolve and transfer its assets to MERS, offsetting the cost of retiree health insurance will not be possible. The Pontiac City Council has submitted an alternative to this plan to the Treasury Department. Either my plan or the Council’s plan will be accepted.

3. Sale of Golf Course – At best the golf course breaks even; in previous years it has been a money loser. Currently the City is fortunate to have a company leasing and operating the golf course on a month-to-month basis. The revenues generated do not cover the cost of any capital improvements or any legacy costs. The City has listed the golf course with a specialty golf course broker at a minimum price of $800,000. The City Council failed to approve or deny the
request to sell the golf course, and thus the proposed sale is considered approved. By placing the property in the hands of a private owner, the property would generate tax revenues in the future.

4. Sale of Lot 9 – Lot 9 was originally created by the Downtown Development Authority for the purpose of assembling a large parcel of downtown property for future development. During an open auction in March, the City received an offer of $1.28 million for the property, but the purchaser failed to close due to pending litigation. The City needs to sell the property with the proceeds targeted to offset the cost of retiree health insurance through August 31, 2013.

5. Sale of Excess City Properties – The City has hundreds of parcels of excess property that only serve as a liability to the City. For several of the large parcels, the City has either received offers to purchase or has individuals expressing an interest in the property. The City Council failed to approve or deny the request to sell the following parcels, and thus the proposed sales are considered approved at the following levels:
   - Lot 1AH - $75,750
   - Lot 1AP - $230,000
   - Lot 5 - $50,250
   - Kennett Road Landfill - $150,000

In addition, the City has several hundred residential lots available sized at one-half acre or less. Lots one-quarter acre or less will be sold for a minimum price of $150 per lot and lots one-half acre or less but greater than one-quarter acre will be sold for a minimum price of $300 per lot. Exceptions to these prices are properties purchased with federal funds that must be sold for a $300 minimum and parcels that are being packaged with other parcels to create a larger parcel group that will be sold at near-market rates.

The City has other parcels that are generally larger than one-half acre, may contain a structure valued at less than $50,000, may be zoned for commercial use and have a higher market value, or may be grouped with other parcels to create a larger parcel package. These properties should also be sold, and their sale proceeds can be used to fund one-time expenditures.

6. Demolition of the Phoenix Center and Sale of the Property – The City received an engineering study stating that the structure needs $1.8 million of repairs to be made over the next 18 months and a total of $8 million over the next 10 years in order to be fully usable. The City does not have the money to make such repairs. If the Center was repaired it is estimated that it would cost the City $500,000 annually to properly operate the facility. The facility is viewed by many as a deterrent to the development of the downtown area and demolition of the facility would represent a milestone in the turnaround of the City of Pontiac. The City has received a bid in the amount of $1,825,000 for the demolition of the facility. Oakland County has received grant money to do a study and is assisting in putting together a plan to redevelop the area that includes the Phoenix Center land area consisting of 12.7 acres. Demolishing the facility would open up the access to Saginaw Street which is the main downtown street in the City. The City was able to retire all outstanding debt on the Phoenix Center, and is now free to sell the remaining property. Assuming that the property receives as much interest as the sale of Lot 9, the City will be able to realize a one-time general fund revenue increase of $750,000 or more.
7. **Reorganization of City Departments and Staffing Plan** – The City of Pontiac is now a model City for communities facing financial distress, or as a way to operate more efficiently and effectively than the standard governing model. Nearly all services are either provided by another governing unit, which benefits both governing units, or services are provided by private contractors. In either case, Pontiac is now receiving better services for a lower cost annual cost in addition to the long term savings by no longer needing to pay pensions or health insurance benefits to retirees if the City continued to employ staff to deliver service. Most importantly, the City has shed the accumulation of significant future long-term uncontrollable liabilities such as retiree insurance benefits and pensions because the City no longer has employees eligible to receive such benefits for the rest of their lives. As a result, the need for many city departments and employees has been eliminated. The City can now function on a more compact model and organizational chart. Ordinances are in the process of being drafted and adopted to reflect the new governing model for the City of Pontiac, and will include minimal educational and experience requirements for department heads.

The City of Pontiac shall be organized into three departments and two offices effective July 1, 2013:

**Department of Community Development**

Responsible for construction code enforcement, vacant property registration, residential rental registration program, business license program, planning, zoning, economic development liaison, cable, historic district commission, federal grant implementation, fire insurance withholding program, city real estate disposition, tax abatements, capital improvement planning, support and reporting for the TIFA and BRA, document retention for the former GBA, DDA, PBDC, and EDC. The Department will be staffed by up to three full-time and up to one part-time employees.

**Department of Public Works**

Responsible for summer and winter road maintenance, park maintenance, sanitation, engineering, city owned public lighting, city-owned traffic control devices, city building and property maintenance, cemeteries, senior citizen centers, and sidewalks. The Department will be staffed by up to five full time employees, six part-time employees, and two seasonal part-time employees.

**Department of Finance**

Responsible for accounting, budgeting, income tax, purchasing, investing of surplus funds, information technology, payroll, assessing, employee and retiree benefits, workers’ compensation, human resource functions, grant administration, unemployment reporting, collections of delinquent debts, and debt payments. The Department will be staffed by up to seven full-time employees.
Office of the Clerk

Responsible for serving as secretary to the City Council, conducting elections, posting all Open Meeting Act notices, and processing daily receipts. The Office will be staffed by up to two full-time and one part-time employees and 900 hours of seasonal assistance.

Office of the Mayor

The Mayor is responsible for contract administration of the city attorneys, Star EMS, Oakland County Sheriff, and Waterford Regional Fire Department, and oversight of the three department heads and document retention for the files of the former Law Department. The Mayor will also have a Community Relations Specialist and Administrative Assistant to assist the mayor in carrying out the duties of the office. The Mayor's Office will become the central telephone operator for the City. Risk management liaison will fall under this office. The office will be staffed by one elected official and two full-time employees. The Deputy Mayor will be compensated on a per-diem based on the deputy mayor's attendance at a council meeting.

City Council

Because Pontiac operates under a strong-mayor form of government, the City Council does not have any administrative or executive authority, and thus is not involved in the day-to-day operation of the City. The charter clearly prohibits the council as a body and its members as individuals from giving direction to city employees. The role of the city council is that of a legislative body, and the charter clearly identifies the roles and responsibilities of the city council: to adopt ordinances to govern the city, to set the salaries of city employees, to award contracts, and to adopt and amend the budget when necessary. State law also bestows additional responsibilities on the city council such as making or confirming the mayor's appointments to certain boards and commissions, designate certain areas of the city for special tax treatment, and set the tax rate of the city. As such, the Pontiac City Council has the same roles and responsibilities as most other cities in the State of Michigan, and thus has no need to be present daily in City Hall or operate an office; however, due to the tradition in the City of Pontiac, council members, should they choose, may continue to have individual offices and office hours in City Hall, but the City will not financially support any operations of the council office. The council area will be remodeled to allow greater opportunity for the public to access their individual council members. The new compensation package for city council represents their true function by paying council members on a per diem for meetings attended.

In addition, current members of the city council will receive training so they understand their roles and responsibilities under the charter, under the Open Meetings Act, and in reading and understanding financial statements and periodic financial reports. Also, all persons who will appear on the general election ballot for each elective office will be provided complete copies of the agenda packet provided to council members. This will allow those elected to office to have a smooth transition. In addition, training and orientation sessions should be provided to newly elected officials before assuming office to assist the person to understand their roles and responsibilities of their new position and to understand the finances and operations of the City.
The city council should also be encouraged to change its operating rules and meeting procedures to improve the operations of the city council. All items submitted to the council for action should be placed on the council’s agenda immediately and not held back by the council president. An agenda item should be listed for hearing and receiving committee reports. Public comments should be limited to two minutes per person. The process of calling special meetings on the same day as regular meetings should be eliminated by incorporating such items on the council agenda. Agenda packets should be distributed to council members no less than 48 hours before the meeting.

8. **Adoption of Model Charter Provisions** – The Pontiac City Charter is presently under review by vote of the people. The Charter Revision Commission needs to consider the following amendments to the Pontiac City Charter to reflect the new operating model and needs of the City:

- **2.105** – Remove city assessor from election commission and replace with one registered voter appointed by the city council since Oakland County Equalization has notified the City that it will not send a representative to sit on the election commission.

- **2.107** – Require 250 signatures to run for Mayor and 150 signatures to run for City Council.

- **3.105** – Change from weekly council meetings to regular meetings only twice per month. Most city councils in Michigan meet only twice per month, and the responsibilities of the city council do not warrant more than two meetings each month.

- **3.114** – delete (hospital does not exist).

- **3.115** – delete (council does not need staff).

- **3.301** – delete (internal auditor no longer required).

- Article IV, Chapter 2 – delete all references to the Law Department and make clear that the City Attorney can be a firm appointed by the Mayor.

- **4.204** – delete (allowing the city council to appoint their own legal counsel encourages conflict between the mayor and the city council and the city attorney).

- Article IV, Chapter 4 – (Police Department) delete in its entirety and replace with a provision that states that the City may contract for law enforcement services.

- Article IV, Chapter 5 – (Fire Department) delete in its entirety and replace with a provision that states that the City may contract for fire protection services.
5.104 – require budget to be adopted on a functional basis rather than on a departmental or line item basis.

5.105 – delete because the provision allowing for an interim budget is illegal, and replace with a provision that docks the mayor one month pay for every month or portion thereof that he is late in fulfilling his budget preparation duties and the city council one month pay for every month or portion thereof that the council is late in adopting the budget, and prohibit retroactive payment upon fulfillment of duties.

5.205 – Change to read as follows (eliminates reference to minimum staffing in fire department):

The total amount of taxes which may be levied against property for City purposes in any one year shall not exceed $10.00 on each $1,000.00 of the taxable valuation. An additional tax of $1.50 on each $1,000.00 of the taxable valuation may be levied for capital improvements or to pay any principal and interest on bonds therefore; and a further additional tax of $2.00 on each $1,000.00 of the taxable valuation may be levied for fire protection services, in addition to such other revenues as may be regularly utilized for those purposes. The provisions of this Section shall not prevent the levy and collection of the full amount of taxes required by law for payment of debts.

5.305 – allow audit to be completed by December 31, not 120 days after the end of the fiscal year.

6.301 – delete (Administrative Rules) as rule making is an executive function.

6.302 – delete (Emergency Rules) not needed if 6.301 is deleted.

I am proposing to include all of the above initiatives in the City budget I am preparing for the coming fiscal year beginning July 1, 2013. It is my opinion that the above initiatives will result in structurally balancing the City of Pontiac's revenues and expenses for the coming years providing there is no further significant decline in City revenues.

Louis H. Schimmel
Emergency Manager
City of Pontiac