

**REGULAR MEETING OF THE COUNCIL OF THE CITY OF NOVI  
MONDAY, NOVEMBER 9, 2020 AT 7:00 P.M.**

**Mayor Gatt called the meeting to order at 7:00 P.M.**

In accordance with the provisions of the Open Meeting Act this meeting was held remotely.

**PLEDGE OF ALLEGIANCE**

**ROLL CALL:** Mayor Gatt, Mayor Pro Tem Staudt, Council Members Breen, Casey, Crawford, Fischer, Mutch

**ALSO PRESENT:** Peter Auger, City Manager  
Victor Cardenas, Assistant City Manager  
Thomas Schultz, City Attorney

**APPROVAL OF AGENDA:**

Mayor Gatt added to Mayor and Council Issues: Kudos

Mayor Gatt mentioned that Consent Agenda Item B and Item C are the same items and he wanted to clarify that. He said it had been corrected on the public version. He said Item B should say on our Agenda: B. Acceptance of a Conservation Easement from Berkshire Production Supply, LLC for wetland conservation areas being offered as a part of JSP17-72, Berkshire eSupply development, for property located south of Fourteen Mile Road and east of M-5, in Section 1 of the City.

**CM 20-10-122 Moved by Crawford, seconded by Casey; CARRIED UNANIMOUSLY**

**To approve the Agenda as amended.**

**Roll call vote on CM 20-10-122**                      **Yeas: Staudt, Breen, Casey, Crawford, Fischer, Mutch, Gatt**  
**Nays: None**

**PUBLIC HEARINGS: None**

**PRESENTATIONS:**

1. Comprehensive Annual Financial Report ending June 30, 2020 – Carl Johnson, Finance Director

Carl Johnson said it was a pleasure as usual to present our annual audit. He will go through some of the details, then Nathan Baldermann from our audit firm will go through his findings for the audit and give his opinion. He said as he was preparing for this, he would be remiss if he did not take the chance to remember how lucky he was to be part of the City of Novi. He knew Novi was a great place, but every year that goes by, especially during this crazy pandemic year that we have had this last fiscal year he was just reminded what a great team we have. He said that his deputy, Sabrina Lilla handled the audit. The audit this year was performed remotely. The auditor's firm would not let

them come out here on site. They had to do it remotely but everything went without a hitch. The results are actually very good. He stated that City Manager Auger and Assistant City Manager Cardenas have assembled an outstanding team. We all worked together and you will see in the financial results are better than anticipated during this crazy pandemic. He said kudos to everybody. He expressed that he was fortunate to be part of this great team. He stated due to the pandemic there were a bunch of things that are one-time things that you would not have seen before. He stated that the Audit Report is about 160 pages, you have it electronically, and you will be receiving a paper copy. He wanted to do a couple of summaries and then he would show some select pages right out of the Audit Report. Typically, we start the year with a balanced budget where revenues equal expenses. This year was a little different we started with a surplus budget where we were going to increase Fund Balance by \$248,000. That was specifically related to the SCUBA gear, the fire self-contained breathing apparatus that originally was budgeted in 2019-2020. We pushed it forward one year, which resulted in a surplus. During the year, we made very few adjustments. Usually they net zero but this past year, we increased the Parks and Recreation Committee budget to \$100,000 for consultants and studies. The biggest one obviously was the COVID pandemic budget adjustments where we went through and passed six amendments. We reduced the revenues and we reduced our expenditures with a net reduction overall of about \$145,000. We were thinking we were going to be just short about \$31,000 to the bad. The bad meaning using about \$31,000 in the Fund Balance. That was before the annual rollover. Last year we had rollovers of 1.3 million in 2018-2019, which were finished in 2019-2020. In the current year we had two, \$350,000 of rollovers from our 2019-2020 budget that will be finished next year. All in all, we thought we were going to end the year with \$489,000 use of Fund Balance. COVID did bring about unanticipated unbudgeted costs and you can see them summarized, they were about \$276,000. He explained the reason those were highlighted was that we have incurred those costs but have not yet been reimbursed. Given the timing of when the Feds actually get around to paying us and the County, the audit standards require that the expense is recorded in the last fiscal year, but we will get the revenue in the next fiscal year. That was part of our audit. The biggest one, obviously being our overtime costs incurred for the mobile field hospital for COVID at Suburban Showcase we incurred about \$170,000 worth of those costs. Other costs include purchasing high-speed tabulators to assist our election team. Just give them all the tools to survive this crazy election. We purchased tabulators, high-speed letter openers, PPE supplies at all kinds of supplies that are eligible to be reimbursed, but the \$276,000 was not reimbursed, it was in the cost, but not reimbursed. Add those two things together we would expect our audit to end up with a \$765,000 in Fund Balance, we ended up at \$700,000 use of Fund Balance so a favorable result of \$65,000. He said he could not emphasize enough with everything that went on here with all of loss of revenues and everything else that went on. We turned out \$65,000 better than we thought, it is great results, giving everything else that is going on and we would be out of the ordinary as far as having results like this. The other thing included in this year results is that we did in fact receive reimbursement for those three items listed below. Three of the four voting tabulators, we purchased and got reimbursed for, PPE supplies for public safety as well as laptops and new servers, zoom, technology we got \$74,000 worth of that. It included in this year's budget \$144,000 with unbudgeted costs that we did in fact already get reimbursed for. The playbook for the feds and every other pandemic, any

of the other catastrophe where they declare like a natural disaster is to send your unreimbursed costs and we will reimburse you. COVID is extremely unique whereas if you look at the City of Novi there are unbudgeted costs probably a total of \$300,000-\$500,000. The biggest hit with COVID is loss of revenue. When everything was shut down around the beginning of April, no one was out driving so the gasoline tax that we collect that, which is used to fund our roads, was not being collected. That is down 50% from where it normally is. The police were not writing tickets since no one could leave their house. Our police revenue was down about \$200,000 from where it was originally budgeted. Our state shared revenue is primarily made up of sales tax. If everybody is at home and no one is working and no one can leave their house except for their online purchase, we are not receiving that revenue as well. The net result is a reduction in revenue. We had \$900,000 less in revenue. The challenge on the federal level is how do they make the cities whole. The federal playbook says they will reimburse you for unbudgeted costs, overtime, and that kind of stuff. There is nowhere in the regulations that says they will give you money to replace your revenues. The trillion dollar COVID relief package that was passed back in April that was dispersed to all the locals and state governments, no one could spend any of it because it could not be used for revenue reimbursement. The actual costs that were incurred related to this was minuscule compared to the revenue loss by the locals. He said we went three months without being able to get our hands on any of the money. It finally came in about mid-June after they came up with some creative ways. He said they came up with some grants for costs that were incurred but were already budgeted, and we were not reimbursed for those. The first item is about \$500,000 worth of payroll that they paid our employees during the COVID pandemic. Employees that were sent home as the governor mandated did not report to work and could not work remotely, we continued to pay them here at the City. That total was about \$500,000 citywide. He could see that there are four or five different funds there, but ultimately that could get reimbursed. We will get reimbursed for that in the current fiscal year. That is included in the results that you have, so that is why this kind of a revenue replacement grant. The other item was that they agreed to reimburse for the April and May public safety payroll, and in our case that was almost \$2.2 million. It turned out the requests were much greater than the money the State had, so we only got about half of it. He said we still got a little over a \$1.8 million reimbursed. Again, we already incurred that and it is already part of the budget. So again, that can be used going forward as a revenue replacement, because we are still not back to where we were. The state eliminated our statutory revenue sharing in August, but they replaced it with some grant monies that we were able to offset payroll on. All in all we got about \$1.6 million of which will be received and recorded in the 20-21 fiscal year's budget, so we will have \$1.6 million in revenue and zero cost related to that. He stated that is not budgeted and we will have to add that in this upcoming fiscal year. In addition to that, we have got another \$899,000 of costs incurred in fiscal year 20-21 that are new costs and reimbursed. The hazard pay that ultimately got paid out in September that the state gave us \$173,000. Then the other \$400,000 came from the County Cares PTO payout, election workers hazard pay, personal protection equipment from the state police and library. All in all, it's just under \$3 million in total that, the City will have received and is expected to receive related to the COVID grant. He thought we did a good job maximizing the amount that we could get from any and every source. We did a good job getting that back in and he would say because of the proactive cuts that the Mayor and Council recommended

as part of that budget process in the last quarter. We really tightened our belts and coming in with a better than balanced budget on June 30, 2020. This money is now available to offset any future revenue losses that we may incur. The other Fund hit hard by COVID is the Parks and Recreation Funds. As you know half of their annual \$3 million in revenue is property taxes, the other half is program fees. During the final quarter, we amended their revenues down from \$1.384 million to \$871,000 so they came in slightly better than that. That is a \$400,000 hit to their revenues just in that last quarter. You know that spring quarter is usually huge in our Parks and Recreation Program. So, a \$400,000 loss in program revenue fell directly to the bottom line. Originally, they were supposed to use \$230,000 of their Fund Balance but they used \$624,000. Unfortunately, that fund got hit very hard and that dropped them close to their 12% fund balance minimum. Again, they are struggling with the reduced programs. They were successful enough to get some programs back running, but obviously they are not at full force like it was pre-COVID. We are keeping an eye on that and working with them; they are doing their best to trim their costs to match their existing revenues.

Mr. Johnson said there are three new items he wanted to bring attention to. Our Corridor Improvement Authority has been talked about for a while. This is the first year of the capture of our Corridor Improvement so this is the Grand River Corridor that we are talking about. The base tax year was set at December of 2018, so the tax year 2019 which is our fiscal year 2019-2020, was the first year of capture. To the extent there was growth within the corridor and taxable value, 50% of it was captured it is going to be used as revenue in the corridor. The first capture is \$150,000, literally within \$5,000 of what our initial projection was. That is being used to offset the costs of the Northwest quadrant of the Ring Road. We spent \$2.9 million on the Ring Road; it is almost complete. That is what that will be ultimately used for. The capture for the new year, the year we are in right now, is a little over \$330,000, again right where our projection was initially. He said in the long term we will have to see if COVID impacts the property tax capture, but so far so good.

Mr. Johnson said the next item is our Internal Service Fund. In the fall of last year, we created a self-insurance fund for all active HAP users. In essence, we became self-insured from premium base to the City paying the claims and we have reinsurance to cover catastrophic loss. The normal premiums were charged to each of the departments based on if we did in fact have premiums for our healthcare. Our actual costs came in \$296,000 less than what our premiums were which is what we were hoping for. We have a young, low risk type of population here and our experience has been very well over the years. The goal of this fund is to get enough in reserve so that any significant changes in insurance, any significant losses or significant experience, we would have enough in reserve to do it and then ultimately reinvest or use these reserves in this new self-insurance fund to reduce the copay for our employees as an attraction tool and to help retain our existing staff. Right now, as you know we have a 20% copay on insurance for all our employees and we are hoping to drop that to 10% or even zero if this fund continues to be successful. It is early, this is only six months' worth of activity. We started on January 1<sup>st</sup> and now that we are through the end of October, we are still on track with this. He thought our surplus through the end of October was about \$500,000 so we are doing very well as far as this goes. The new year renewals for insurance have just gone out and we

were able to hold the premiums flat for all HAP users. The insurance went down 3.5% and there will be no increase for the HAP users. Usually it is a 4% to 8% increase for healthcare costs. This year will be flat.

Mr. Johnson said next was the PEG Cable Funds. The legislature changed the rules back from where they were probably six, seven, or eight years ago. The PEG Fees that we collected seven years ago, they were only allowed to use for capital for cable production, so the studio and the cameras, the cable channel, was only allowed to be used for capital. They changed it so that you can use it for the capital and production costs, so we have been charging our Studio Six employees time and operating supplies there. Sometime around September 20<sup>th</sup> they changed the rules back. They said effective immediately all Cable PEG Fees that you collect now must be only used for capital, you can't use it for operating costs. We immediately followed that regulation so all our PEG fees are now going into a new fund so that they can be accounted for according to the new regulations and the existing PEG fees, which totaled \$850,000 to start the year are going to be used to offset the operating costs that we have always budgeted. Last year we used \$277,000 with zero revenues, leaving \$572,000. We have about two and a half to three years left in this Fund and then ultimately those costs will have to be absorbed into the General Fund. We are hoping they turn around and change the rules again because there has been quite an uproar as far as the change in this because it has hurt a lot of communities. Historically we received \$370,000, but this past year we received \$302,000. We have spent \$15,000 of that so the new fund, which was not there last year, has \$288,000.

Mr. Johnson said the next topic was OPEB and our pension. He started with OPEB. Novi leads the way, he believed, in the entire state as far as their OPEB funding without bonding for it. We are at 108.69%. We continue to grow our over-funding percentage, which is great. It means our contribution for the next two years has dropped from about \$260,000 to about \$40,000 a year. We can use that to offset our increase in pension costs. This also includes liability of a \$28.8 million for retiree healthcare and we have \$31.3 million set aside. That is a \$2.5 million dollar overfunding, which is outstanding. Another good year, even with all the crazy stock market up and downs with COVID and everything else, we still managed to increase the overall net reserve by almost \$500,000. He spoke about the change in assumptions. Ultimately the rate of return in both OPEB and the pension was at 8%, but that has been unrealistic for the past five to 10 years. He stated that MERS has realized it and the State has mandated that assumption get it down to 7%. In 2018 we changed the assumption from 8% to 7.5%. That resulted in the liability going up. If you are not earning as much on it, then you do not have as much in reserves and therefore you must contribute more. Our liability went up about \$1.8 million in the past year. We lowered it from 7.5% to 7% to match the State's level. We are at that level, that was a \$1.2 million hit to the liability and we still maintain a 108% funding. He said on the pension side, MERS did change their assumptions. He said it went from 7.75% to 7.45%. The liability took a hit of \$3.3 million, and they are still not at 7%. The good news in that fund is the areas he had highlighted. If you recall last year, you see the one with the column right next to the \$2.5 million negative, this December MERS reports on a December year end. Last December, the market plummeted 10.25%. It showed all the terrible operating results. You can see the net overall for the year was a loss. While we

made that up in the first quarter of 2020. This is all the pre-COVID stuff that was going on there. He stated that we rebounded nicely with an \$8.3 million increase. Our funding level though remains very close to that. There is a 60% state minimum mandate. You can see it is fluctuating 56%, 60%, and we were at 63% last year. The alarming stuff is that the total liability for the three years was \$99 million, up to \$101 million, now it is \$107 million. We are still not at that 7% assumption. MERS is telling us in the next two to three years we are going to get hit again by another change in assumption to the tune of another \$3 million to \$4 million. Depending on what the market does, although the market has been pretty strong this year, with COVID and the economy, the change in leadership at the political levels who knows what is going to happen over the next few years. We remain above the 60%, which is key. We must continue to monitor and do whatever we can to increase. One thing he forgot to mention with the OPEB are outstanding results with the being self-insured on the assumption on the OPEB side. So that is retiree healthcare is that healthcare costs go up about 8% a year, we are averaging 4% or less so that is helping the OPEB liability as well. The pension assumptions they changed the mortality tables 2016, they changed the rate of return from 8% to 7.75% and then in 2020, they changed it from 7.75% to 7.35%, that still needs to get down to 7.00% per the State's mandate. He said MERS has warned us in the next two to three years we will probably see another assumption adjustment. The problem is we know by our teetering at the 60%, this is killing a lot of other smaller communities that do not have the resources we do to absorb a \$200,000 to \$400,000 annual increase in our pension contribution. That is an area of concern. You can see there in 2015 the kind of annual contribution was \$2.6 million, and this last year was \$4.38 million. We have been trying to dump any of our surplus that we have in our departments, this year, that surplus went to offset the Cobra revenue loss so that is why we have a zero. Historically we have been trying to dump in any and every dime that we have extra through the \$300,000 and the \$450,000 you saw there. Last year it went towards COVID, we hope this year to resume contributing any extra dime we have towards extra pension contribution. He thanked everyone for listening to his presentation. He said he would be happy to answer any questions.

Mayor Gatt stated the Mr. Johnson was one of the smartest guys he ever knew and thanked him for his comprehensive and detailed presentation on the state of our finances.

Member Fischer echoed the sentiments. He thought it was a fantastic report. He did not think about trying to do an audit completely remotely, and the fact that they could not send in an auditor. Kudos to you and working through that. He said he had a couple of specific questions and if we do not have the answers that is fine. The first question was regarding the Internal Service Fund. It sounded like we are \$296,000 to the good as far as that self-finding mechanism. He thought Mr. Johnson said \$500,000 when you take it year to date. Member Fischer asked if he thought any element of that is since people were at home and obviously there was less health claims this year. He asked what he thought that will do as it relates to as we go towards next year. Mr. Johnson said we have discussed that with the healthcare providers and our brokers, there is a lot of that in terms of the optional surgeries that could not happen. It is in line with what we thought we would do. It is early but said we were cautiously optimistic. The plan was two to three years, build up the reserves and see what happens. If we are a year and a half from now

doing outstanding like we are right now in this it might be an opportunity for us. In the short term where we are optimistic. We are monitoring it with our consultants and HAP to make sure we monitor all the trends. Member Fischer said it was more of a word of caution. He said it sounds like you did contemplate it as you talked about premiums and copays and all those kinds of things. He said he did not think we are out and about as much as we were pre-COVID anyway. He thought that accidents were down. It is something that we will want to keep our eye on. Member Fisher said the other question he had was related to the OPEB overfunding. He said he saw in the reports we have an employer contribution of about \$315,000 into the OPEB balance. Is that a required amount or is that something that we could not fund? He wanted to explain his logic before Mr. Johnson answered. He said we do not get any kudos for being overfunded. He said we have other areas of the retirement balances that could benefit from some of these funds if we want to move it. His real question was if the \$350,000 was required per the regulatory environment. Mr. Johnson said that was a great question. Every two years we get an actuary report. This year's actuary report required annual contribution of \$35,000. We do in fact put in that extra money because we had budgeted \$235,000. This will result in a budget amendment coming before you to reduce it to the \$35,000. Until you get to about 140% funded, you still must contribute something. At 108% funded, it is almost nothing, so we do in fact have those extra funds available to use however we want citywide. You are correct. Member Fischer asked if the \$315,000 that we did do last year was over and above what we needed to. Mr. Johnson said that was exactly what we were required to contribute. This year we are required to contribute \$35,000. Member Fischer asked if it is his intent to do the \$35,000 and any extra surplus we would obviously utilize in different, more efficient manners. Mr. Johnson replied, yes, the hope is that the return on investment within that fund continues to increase our funding percentage. Member Fischer said thank you for an excellent report, he appreciated the whole team's efforts.

Mayor Pro Tem Staudt said one of his favorite subjects is PEG fees. It looks like the current PEG Fund Balance will last us about two years of operation. After that we are going to have to do something with those dollars. He asked if we have any anticipated plan or are we just hoping they change their mind and we can go back to the old way. Mr. Johnson said with the new budget we are currently working on, year three will include the budget for the PEG Operations in the General Fund. Until we hear otherwise, they will be folded into the General Fund. Mayor Pro Tem Staudt said he was not sure exactly what the makeup of the personnel costs are, but we had a portion of Community Relations Department wages, and we might want to reconsider that. He said maybe spread out the cost of personnel over three or four years and bring 100% of that salary back. We do not have the luxury anymore of being able to use those dollars to offset personnel costs that perhaps could be reallocated somewhere else. When we get to budget time, that is going to be something he would want to investigate. He said eating through Fund Balance to pay for personnel costs is probably the antithesis of what he liked to see Fund Balance used for. We are going to be building up a huge amount of money that can only be used for capital. We are going to have to think about what we are going to do with that at some point, because having \$600,000, \$800,000, \$900,000 in three or four years does not seem to be a wise use of those funds either. We will have to start thinking about it sooner than later. He said Parks and Recreation took a big hit. They

are not going to get out of this very easily. He asked if our personnel costs were flat even though we had a large reduction in revenue. Mr. Johnson said the reduction of revenue all came in the fourth quarter. When COVID hit, some of the seasonal were laid off so there were some reductions, but our full-timers were all paid during the COVID shutdown. Mayor Pro Tem Staudt asked if this continued through the first quarter of the new fiscal year. Mr. Johnson said revenues being down debt, but again, costs were adjusted accordingly. There were a couple of layoffs and with programs being cut, the cuts associated with the programs are going to be cut as well. Mayor Pro Tem Staudt stated the full effect of that won't really be seen until this year. Mr. Johnson said yes, that was correct. He said that unless the programs pick up full in the spring, we will probably have to address it at some point. Mayor Pro Tem Staudt said his last question dealt with his favorite of all-time subjects which was the Fund Balance. He stated that all these dollars that are going to be paid into the City during the current fiscal year for things that we paid for previously. All that money is going right to the bottom-line Fund Balance or most of it, he wondered if that was correct. Mr. Johnson said yes, that was correct. What you will see in the coming quarter is a budget amendment for that to recognize that revenue and unless you do something else it is appropriated at the Council level or the City Manager presents something it will basically fall directly to the bottom line. Mayor Pro Tem Staudt stated that he was sure he will have some suggestions, but it is good to see that number, that is a big benefit. He said he did see the documents today that came from the County that showed Novi as having a \$454,000 unpaid amount that from what we requested. They have a spreadsheet of all the communities, what they requested, and what they were paid and what they did not actually receive. He thought there is consideration going on to perhaps have some of that money paid out. That would be good, that is another \$450,000 of potential dollars. He also read that they have a considerable amount of money still available for Senior Centers, Recreation Centers and Libraries. That funding did not appear to be used nearly as much as they thought it would be, so it sounds like there is some more money out there potentially for the City. Mr. Johnson said that we have \$450,000 worth of requests in that just needed to be processed.

City Manager Auger said what Mr. Johnson just stated was what he was going to say is that we know we have about \$400,000 that will be approved. Finance has done a great job working with the County and I believe we are one of the only communities that have hit our maximum. They put a ceiling on how much each community could receive and we are right up against it as soon as the \$4000,000 comes in. Mayor Pro Tem Staudt said good, they can always raise the ceilings. City Manager Auger said we was sure Mr. Johnson, and his team will find ways to spend it.

Member Mutch stated that most of our pension groups are currently closed to new employees. Mr. Johnson said yes, that was correct, all but two of the eleven. Member Mutch said they have been closed over various periods. He said reading through the report it indicated even though they have been closed over various periods is the kind of amortization period based on the last group that closed it that why we see the 21 year figure in that report. Mr. Johnson explained if you look in the report each division has their own amortization period and they varied when they were closed. Member Mutch said he must have missed it. So knowing that, knowing the kind of curve, that those

sounds will follow as they close out and obviously as the eligible employees within those divisions become eligible to retire and do retire they start collecting their benefits. He stated his understanding of it, serving on a pension board, we are going to see a big hump essentially at a future date. Then at some future date a gradual decline as those folks age out of the pension fund. He asked if they have run those numbers or have an idea of what that looks like out over the next five years. He wondered what kind of impact it will have on our financial picture in terms of what we need to ramp up more of that cost going forward. Mr. Johnson said yes, the latest report from MERS said the numbers show they will continue to go up until about 2028, and at that point, it will start gradually going back down again. The peak is still a few years off and then at that point you should start going down quickly according to that. So, you have probably will have six to seven years to peak, and then six to seven years it starts to fall off \$200,00 to \$300,00 less each year. Currently it is going up \$200,000 to \$300,000 annually. It will start going down \$200,000 annually. Member Mutch wondered what their projection in terms of that peak amount, obviously a lot of things could change for the next seven to eight years but based on the current assumptions. Mr. Johnson said \$6.7 million annual contribution would be and we are currently at \$4.3 million. Member Mutch said it would be helpful if Council could get a copy of that report. Mr. Johnson said yes, it is part of the MERS actuary, he said he could forward that out yet. Member Mutch thought it would be helpful for Council to see because he thought it was important for them to understand what is coming. If you know the progression is going to look like and understand the need. Some of these conversations we are having about extra revenue, how do we utilize it. That is still kind of a big liability sitting out there, and as you noted, that still another probably eight years that we are going to have to deal with that before it starts leveling off and then going back down. He felt the more information, the better.

Mayor Gatt thanked Mr. Johnson again for a great report.

## 2. Comprehensive Financial Audit for year-end June 30, 2020 – Rehmann

Mr. Nathan Baldermann said he would be as brief as Mr. Johnson did a good job of presenting the financial results. He said he would briefly go over the results of the audit and just give some updates. We did this audit completely remotely this year. He thanked the City, Mr. Johnson, Ms. Lilla and everybody for working with them. It was not ideal, but just trying to do our best to make sure that we were keeping everybody safe. He was looking forward to getting back in person in future years. He said he would point out the results of the financial audit we ended up and gave a clean or unmodified opinion on the financial statements. It is what you are looking for and hoping for in an audit. This year you received an additional report on internal controls that was required. This year's audit was performed in accordance with government auditing standards because we will be required to perform a single audit because your expenditures are expected to exceeds \$750,000. We have not done that portion of the audit because we are waiting for guidance from the Feds. We have what is called a compliance supplement that we must follow this year. They are doing a supplement to the supplement for all the COVID related funding. We do not have the guidelines on how we are supposed to test so we must wait for that information. We expect that once that comes around, we will receive some additional information from Mr. Johnson and then we will select our programs. The

funding that Mr. Johnson was talking about, there is a portion of that which are the coronavirus relief funds that will end up being recognized and included that pushed you up over the threshold. That is what we are waiting on the guidance for to get us to complete that. We will do our work when we get the information and we will end up doing the testing in December or January just dependent on when the information comes, but the rules were set. We were able to get enough information that all the proper accounting could be done, and we could issue a report on the financial statements on the internal control report we did not have any findings. The only item that we had that we had to note was because technically there is a deficit Fund Balance. The state requires any time there is a deficit on Fund Balance there is a uniform budget and accounting act says that you cannot have those deficits and because of that deficit we have to report on it. Management has a very thorough response, basically Novi is much more progressive. He would say that most cities are looking at things and saying we could finance this on our own. Because of the way the accounting rules work with then your are using your own money to fund these long-term capital projects and the types of things that you ae doing it causes those inner funded borrowing caused those deficits. There is a good explanation in our independent auditor's communication with those charged with governance. It is something that we must note, but ultimately, the City has done a great job of have the foresight to do this. This explains that fact, and that is included in your deficit elimination plan that has been accepted by the State of Michigan. The audit went smoothly, no findings, there is just that little bit left that we are required to report once the single audit is done, we will have to do that testing and issue a separate report for that.

Mayor Gatt has said in the past, and will say it again, there are a lot of municipalities all around us in fact, in the entire state, that would love to have our audit, our numbers that we have. On behalf of all of us, keep doing the good job. He was not sure if they will come back to report after you do the next part of the audit once you get the Federal guidelines. Mr. Baldermann said that was up to Council and City Administration; he would be happy to do that.

**MANAGER/STAFF REPORT: None**

**ATTORNEY REPORT: None**

**CONSENT AGENDA REMOVALS AND APPROVALS:**

**CM 20-10-123            Moved by Breen, seconded by Casey; CARRIED UNANIMOUSLY**

**To approve the Consent Agenda as presented.**

- A. Approve minutes of:
  - 1. October 26, 2020 – Regular meeting
- B. Acceptance of a Conservation Easement from Catholic Central High School of Detroit, Inc, for wetland and woodland conservation areas being offered as a part

of JSP19-48, Catholic Central Frontage Improvements, for property located west of Wixom Road and south of Grand River Avenue, in Section 18 of the City.

- C. Acceptance of a Conservation Easement from Catholic Central High School of Detroit, Inc, for wetland and woodland conservation areas being offered as a part of JSP19-48, Catholic Central Frontage Improvements, for property located west of Wixom Road and south of Grand River Avenue, in Section 18 of the City.
- D. Acceptance of a Conservation Easement from Redwood-ERC, LLC for wetland conservation areas being offered as a part of JSP18-18, Fox Run Neighborhood 3 development, for property located north of Thirteen Mile Road and east of Meadowbrook Road, in Section 1 of the City.
- E. Approval of a Declaration of Emergency Access Easement by the City of Novi granted to the Novi Partners Limited Partnership located within Parcel No. 50-22-26-101-018 or 42400 Nick Lidstrom Drive (Ice Arena property) for the purpose of ingress and egress to emergency service providers.
- F. Approve a cost share with Detroit Catholic Central for a new traffic signal at their entryway on Wixom Road in the amount of \$86,645.
- G. Approval of a Storm Drainage Facility Maintenance Easement Agreement from CA Senior Novi MI Prop Owner, LLC for Anthology of Novi (formerly known as Novi Senior Living), located on the north side of Twelve Mile Road between Novi Road and Meadowbrook Road (parcel 50-22-11-300-009).
- H. Approval of Traffic Control Order 20-03 for a designated No Parking zone located on Charlotte Street from Austin Drive to South Lake Drive.
- I. Approval of Traffic Control Order 20-04 for a designated No Parking zone located on Jo Drive from Vincenti Court to the end of Jo Drive.
- J. Approval of claims and warrants – Warrant No. 1071.

**Roll call vote on CM 20-10-123**

**Yeas: Breen, Casey, Crawford, Fischer Mutch,  
Gatt, Staudt  
Nays: None**

**MATTERS FOR COUNCIL ACTION**

**AUDIENCE COMMENT: None**

**COMMITTEE REPORTS: None**

**MAYOR AND COUNCIL ISSUES:**

Mayor Gatt added one word, kudos. He thought it was appropriate to first, congratulate Member Breen for her successful endeavor. She will soon be sworn in as our next Michigan State Representative for our district. We all say congratulations and thank you for running such a great campaign. We wish you much success. Mayor Pro Tem Staudt ran a great race, not everybody can win all the time, but it was a tough opponent and a tough race. Congratulations on your race because you did a great job. Last, but not least, all of us would probably raise our hand to applaud and jump for joy for City Clerk Hanson and her staff. They stepped up to the plate and they did a marvelous job in the worst situation. Not only COVID, but we had the biggest turnout in the history of Novi. From what he has heard, there have been no complaints, everything went smooth. That did not just happen. He also mentioned that Cortney had also lost a staff member just prior to the election. Mayor Gatt thanked Cortney, on behalf of City Council and on behalf of 60,000 residents. He thanked City Clerk Hanson for her job, and for her staff, because you do not work in a vacuum, but you are the leader, you really came through and made us all proud.

Member Fischer said he would be brief. The Walkable Novi Committee that last week had a robust report from our DPW Department on a sidewalk maintenance plan. That is a goal that the City Council approved as something they wanted to pursue this upcoming Goal Setting Session timeframe. He stated that they received a lot of feedback from our members who consist of the Parks and Recreation Commission, Planning Commission and the Council Member Mutch and himself. The plan is to bring a revised plan for sidewalk maintenance back before the Committee and then eventually to Council. He said he thought it was a step in the right direction, a step forward. He encouraged anyone to go look at the Walkable Novi Committee on the City of Novi's website if they want any of the information from that study, it is all posted by date.

**COMMUNICATIONS: None**

**CONSENT AGENDA REMOVALS FOR COUNCIL ACTION:**

**ADJOURNMENT** – There being no further business to come before Council, the meeting was adjourned at 7:55 P.M.

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Cortney Hanson, City Clerk

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Robert J. Gatt, Mayor

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Transcribed by Deborah S. Aubry

Date approved: November 23, 2020