

**CITY COUNCIL
121 N CHURCH STREET, HUDSON, MI
REGULAR MEETING
November 16, 2021**

747436:

The regular meeting was called to order by Mayor Carmel Camp at 7:00 pm.

ROLL CALL: PRESENT: Carmel Camp, Lee Ann Minton, Rick Moreno, Carl Sword, Pam Ely, Natalie Loop and Lee Daugherty
ABSENT: none

ALSO PRESENT: Darlene VandeZande, David Willhite, Mike Mills, Brent Shea – City Auditor, Mike Sessions, City Attorney Eric White, Gary Offenbacher – owner of 224 Grove Street, Michelle Anderson & Candice Johnson - Woodruff Estates, Chief Ron Keck- Hudson Police Department, Dan Spencer, John Irvine, Barb Ireland – Hudson Post Gazette, Willis Terrill, WWTP Superintendent Ted Hutchison, DPW Superintendent Jay Best & Candi Best, City Manager Charles Weir, and City Clerk Jeaniene McClellan

Setting the Agenda:**747437:**

Motion by Carl Sword, seconded by Pam Ely **to add, discuss Employee accrue days under New Business Item G.** CARRIED 7-0 by roll call

Approval of Minutes of November 08, 2021:

At the November 8th meeting Council Member Moreno asked to have the letter from Gary Offenbacher into the minutes.

747438:

Motion by Darlene VandeZande, seconded by Pam Ely **to approve the minutes from November 08, 2021 with corrections and place on file.** CARRIED 6-1 by roll call (Camp, Ely, Sword, Loop, Daugherty, Moreno – yes Minton – no)

PUBLIC COMMENT:

John Irvine – When he was at one of the meetings, one of the firefighters blocked his car in where he was not able to leave.

Barb Ireland – Disagrees to give the employees any wage increase and Mike Sessions and Brandon Hudson should have been done helping the staff. Agrees with Councilmember Minton that Council Comments should be in the minutes and gave the following to all members.

The following is from jurisdiction.com

“According to Robert’s Rules of Order, and the common understanding of parliamentary procedure, minutes are a record of the decisions made by the body. They are supposed to include “what is done,” and not “what is said.” Personal comments and observations made by elected officials should not be included in the minutes. The purpose of the public comment period is for members of the public to inform the body of their views. This is an important function, and it is critical for the elected officials to listen with care to the public, and to consider what they hear in their deliberations. Just as with the elected officials themselves, however, there is no need to make a permanent written record of the public’s observations.

Note that public hearings, formal structured events required by law for certain kinds of local government decisions, are different from the public comment period. It is characteristically a requirement that testimony provided at a public hearing should be recorded.”

From jurisdiction.com these are suggestions as ways to record public comments:

- Public comment was given.
- Public comment was given by Resident Smith and Resident Valdez.
- Public comment was given. Residents expressed their appreciation for the work done by the board, expressed concern about the headquarters building, and asked the board to consider employee welfare in the current negotiations.
- Public comment was given as follows:
 - Resident Green said the board was doing a great job.
 - Resident Khan expressed concern about the cost of the new building.
 - Resident Robinson asked the board to consider employee welfare in the current negotiations.

Mike Mills – After looking at the City finances, the employee wages should be frozen.

Gary Offenbacher – Owner of 224 Grove gave the council members and pleaded with the council to reconsider the utility rate increase.

Hudson Water and Sewer – Address of City Council 11-16-21

Gary R. Offenbacher, CPM, Owner of 224 Grove Street (the Old Thorn Memorial Hospital)
gary.offenbacher@prodigy.net 7600 Werkner Rd., Chelsea, MI 48118 cell 248-881-9593

- Thank you for the opportunity to address the Council today.
- The Increase per unit in bond and “Ready to Serve” fees for Hudson Water and Sewer has gone from \$ 9.55 per month to \$56.75 per month effective September 16th.
- My cost has gone from \$ 200 per month for water and sewer to \$ 600 per month or more or \$66 per unit per month. The amount I paid quarterly previously is now approximately the amount I am paying monthly or tripling the cost of water. Homes at the same time are seeing a doubling of cost as I understand the new rate structure. It was explained that apartments under paid previously but I believe this argument is not valid considering density and usage.
- The average water cost in Michigan is \$ 28 per month per household. Hudson is now way above the average.
- In our building, we have a single meter 1 & ½ inch and a single pipe and one meter and one bill to collect each month. Bills have always been paid timely. Less administrative burden with apartments and bulk billing.
- My average occupancy is 1.5 residents per apartment and many are occupied by a single tenant. SF Homes in Hudson average 3.5 occupants per home.
- My building uses about 12,000 gallons per month. We have 8 small one bedrooms and one three bedroom apartments. From my calculations, the cost in other cities for my apartment building would be around:

- Jonesville - \$260 per month
 - Hillsdale - \$550 per month
 - Tecumseh - \$191 per month
 - Adrian - \$63 per month
 - Litchfield - \$114 per month
 - Morenci – \$134 per month
- A typical home uses 3,000 to 4,000 gallons per month. Our building uses 12,000 gallons or about three times a typical house. This lower usage per unit is due to number of occupants and number of bathrooms (ten bathrooms at 224 Grove). The Bond fees charged for SF Homes appears to be \$30.36 per month. There is no “Ready to Serve” fee charged to SF homes from what I have seen in SF house water bills.
 - Let me repeat that the bond and ready to serve fees for apartments have increased from \$ 9.55 per unit per apartment to \$ 53.81 per unit and homes have increased from \$15.09 to \$30.36 per month. How can this be justified?
 - On a more personal note..... We have two residents that receive \$ 800 per month in SSI income. Their rent is \$ 425 per month, leaving little for food and necessities. I have no choice but to pass along this huge increase to the residents. The building has water saving features and usage is not the problem. Allocation of bond and administrative fees is the problem. You have the power and authority to correct this mistake.
 - Thanks again for the opportunity to address the City Council and I am requesting a formal reply to the request that the fees for apartments be lowered to be on par with other consumers of water and sewer services.

Michelle Anderson – representative for Woodruff Estates – They also have low income residents that will not be able to pay more in rent to make up for the increase in the utility bills.

PRESENTATION:

Brent Shea CPA – Audit Report Fiscal Year 2020-2021

Brent D. Shea, CPA

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256
 PHONE: (517) 458-2274
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September 28, 2021

**Honorable Mayor and Members
 of the City Council
 City of Hudson
 121 N. Church St.
 Hudson, Michigan 49247**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hudson, Michigan for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 4, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hudson, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020-2021. We noted no transactions entered into by City of Hudson, Michigan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimate(s) affecting the City of Hudson, Michigan's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosure(s) affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

**Honorable Mayor and Members
of the City Council
City of Hudson
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Difficulties Encountered In Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not have any known misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Hudson, Michigan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Hudson, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules for the General, Ambulance, Income Tax, Fire, Major Streets and Local Streets Funds, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Honorable Mayor and Members
of the City Council
City of Hudson
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We were engaged to report on combining statements, individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Comments

1. No fund should reflect a negative cash balance even though it is included in a pooled bank account that is not overdrawn in total.
 2. Long outstanding checks reflected on bank reconciliations should be researched and addressed as appropriate.
 3. The Ambulance fund will need to submit a deficit reduction plan to the State of Michigan.
-

Restriction on Use

This information is intended solely for the information and use of the Honorable Mayor and Members of the City Council and management of the City of Hudson, Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very Truly Yours,



Brent D. Shea, CPA

City of Hudson

6/30/2021

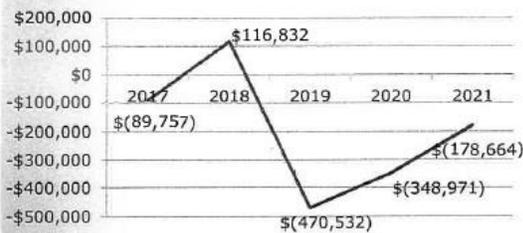


Brent D Shea CPA

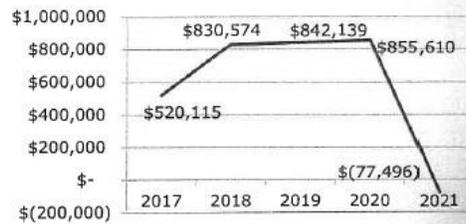
Financial Results: Governmental Activities

- While net income (loss) improved in FYE 2021, shift in net assets to restricted and invested in capital assets leaves City with deficit unrestricted assets
 - Maple Grove street project paid for is cash
 - Transfers to Business Activities decreased \$279k

**Governmental Activities
Net Income**

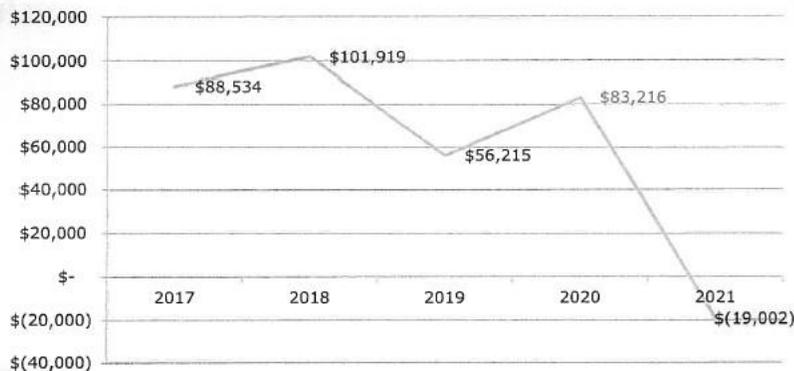


**Unrestricted Fund
Balance of Government
Funds**



Ambulance Fund Balance

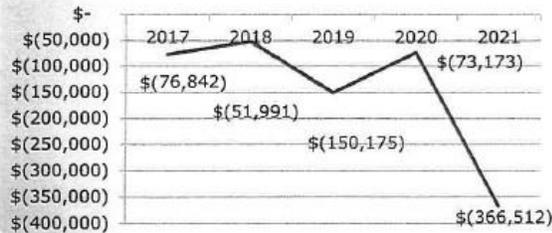
- Fund balance dipped into a deficit position during fiscal year
 - State will require a deficit reduction plan
 - Fund showed a loss of \$102k in FYE 6/2021
 - Charges for services decreased \$65k while expenditures increased by \$63K



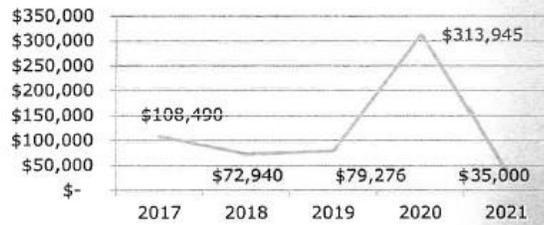
Financial Results: Business Activities

- The Utilities Fund has shown a loss in each of last 5 fiscal years
 - Taxpayer funds from income tax fund have assisted in preventing greater losses
 - Business-type funds should be self-sustaining

**Business Type Activities
Net Income**



**Utility Fund Income Tax
Transfers**



NEW BUSINESS:

Approve: Financial Audit Report for Fiscal Year 2020-2021:

Brent Shea, City Auditor, has prepared the financial statement of accounts for the fiscal year period of July 1, 2020 to June 20, 2021. The auditor will review his opinion with the Council.

Council should carefully review the audit findings and give close consideration to the financial position of the City.

747439:

Motion by Lee Daugherty, seconded by Carl Sword **Accept the Audit Findings with City Auditor Brent Shea and approve the report.** CARRIED 7-0 by roll call vote.

Approve: Cash/Fund Balance Policy Resolution:

The City received a letter dated May 11, 2021 from the Department of Treasury requesting more information regarding the deficiencies in the audit ending June 30, 2020. The City requested an extension to provide the information, which was granted. This is not for most recent past fiscal year but for the prior year 2019-2020.

Part of the information requested by the Department of Treasury, is that a Fund Balance Policy be adopted by the City and forwarded to the Michigan Department of Treasury.

By adopting this policy, it will help the City succeed with keeping the fund balances at the appropriate levels.

747440:

Motion by Carl Sword, seconded by Lee Ann Minton **approve the City of Hudson Fund Balance Policy as written.** CARRIED 7-0 by roll call vote.

Approve: Corrective Action / Deficit Elimination Plan Michigan Department of Treasury:

The City received two letters from the Michigan Department of Treasury dated October 21, 2021. Both of these letters are in response to the findings in the City's 2020-2021 audit that was recently completed and forwarded to the Treasury.

The first letter is requesting a Corrective Action Plan two deficiencies noted in the audit.

1. Expenditures have exceeded revenues for the past three years. Please provide an explanation to the trend.
2. Bank Reconciliations were not performed timely. Provide a bank reconciliation for the last month reconciled for the account(s) in question.

The second letter is requesting a Deficit Elimination Plan noting two of the City's funds, Ambulance, and Utilities Funds, are in the negative. Ambulance (-19,002.00) and the Utility Fund (-300,729.00).

The City has to submit both of these Plans to the Michigan Department of Treasury by November 21, 2021. By not doing so, the City could find itself in a position falling out of "qualified status" (ability to borrow money) and subject the City to a audit or review by the State of Michigan Treasury at the City's expense.

Mr Sessions and City Manager Charles Weir has prepared the plans and documents to submit to the Department of Treasury when they are approved by Council. This has been a very challenging process over the last six months, with more work to do.

Approve: 2021-2022 Budget Amendments:

Once again, as we go through the process of adjusting, making corrections and getting a better handle on the finances of the City, it is necessary to make budget amendments in several areas of budget.

747441:

Motion by Lee Daugherty, seconded by Natalie Loop **approve to have the full council meet on November 23rd at 6:30 pm to discuss the City finances before approving the Corrective Action & Deficit Elimination Plans.** CARRIED 7-0 by roll call

Approve: DWAM Grant Agreement with Jones and Henry Engineering:

As Council knows, the City has received the Drinking Water Asset Management (DWAM) grant

from the Michigan Department of Environment, Great Lakes and Energy (EGLE) in the amount of \$296,024.00 for the lead and copper water service line identification work that will be done in 2022.

Jones and Henry Engineers LTD, is the engineering firm that was involved with the Pilot Grant for identifying and replacing lead service lines 2019-2020 under the previous administration and was already involved with applying for the current DWAM grant on behalf of the City.

City Manager received a proposal letter from Jones & Henry dated October 11, 2021 detailing the services that will be provided by them and the associated cost. All of the cost will be covered by the grant funding. He inquired about a formal agreement between the City of Hudson and Jones & Henry in addition to the proposal letter. He was advised that formal agreement was not drafted, nor do they have any formal agreements on file for past projects with the City of Hudson. Mr Weir checked the City's local files for Jones & Henry and did not find a formal agreement document as well.

Mr Weir requested that a formal agreement be drafted regarding this project. The agreement was drafted and he forwarded it to the City Attorney for review. City Attorney Eric White did not see anything in the agreement that would be detrimental to the interests of the City.

747442:

Motion by Lee Ann Minton, seconded by Rick Moreno **approve the agreement with Jones & Henry Engineers LTD for services rendered for the Drinking Water Asset Management Grant project and authorize City Manager to sign the agreement.** CARRIED 7-0 by roll call

Executive Session: OMA Section 8 (c) Potential Litigation of Previous City Manager's Severance Pay:

747443:

Motion by Lee Ann Minton, seconded by Carl Sword **enter into Closed Session pursuant to OMA Section 8 (c) to consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body.**

CARRIED 7-0 by roll call vote.

** Entered executive session at 7:57 p.m.

** Returned to open session at 8:32 p.m.

747444:

Motion by Pam Ely, seconded by Natalie Loop **to proceed with what was discussed with City Attorney Mr. White in closed session.** CARRIED 6-1 by roll call (Camp, Ely, Sword, Loop, Daugherty, Moreno – yes Minton – no)

Discuss: Employee accrue days :

Because of the situation the City has been in, all the department heads and some employees have not taken their vacation and has also accumulated a lot of comp hours. Employees are asking to carry over the days if they can not take off due to the lack of employee coverage.

Council asked to have a proposal and bring it back to them at the next meeting.

UNFINISHED BUSINESS:

Bills:

**Bills to Council
November 16, 2021**

Bills to be Approved

Haviland	\$1,079.04	Ferric Chloride for WWTP
Consumers Energy	\$3,468.94	WWTP Electric for October 2021
Total	\$4,547.98	

Bills to be Confirmed

Briner Oil Company	\$1,861.09	260 Gallons of Diesel & 433 Gallons of Gasohol Plus Face Plate
White, Hotchkiss & Falahee PLLC	\$1,620.00	Kit 800 Series Meter
Consumers Energy	\$1,039.63	October 2021 Attorney Fees
Consumers Energy	\$2,051.40	WTP Electricity October 2021
Consumers Energy	\$2,407.04	Street lights for October 2021
Consumers Energy	\$2,407.04	WTP Electricity October 2021
Total	\$8,979.16	

747445:

Motion by Lee Ann Minton, seconded by Rick Moreno **to pay the bills.** CARRIED 7-0 by roll call vote

Account Balances:

General Fund	\$361,008.71
Cemetery Trust Fund	\$ 2,262.45
Major Street Fund	\$ 62,357.04
Local Street Fund	\$ 53,614.30
Fire Department Fund	\$ 55,717.71
Recreation Fund	\$ 6,028.37
Cemetery Foundation	\$ 26,749.86
Ambulance	\$ 11,595.59
Community Center	\$ 13,643.55
Thompson Museum Fund	\$ 57,662.33

Library Fund	\$ 12,047.65
Thompson Library Fund	\$ 0.00
Museum Fund	\$ 42,602.97
Downtown Development	\$ 8,303.90
Industrial Park Fund	\$ 14,651.52
L D F A	\$ 0.00
2021 Capital Improvement Bond Fund	\$257,390.46
Sidewalk Fund	\$ 2,565.98
Utilities Fund	(\$242,348.18)
Motor Veh and Equip Fund	\$209,004.94
Property Tax Collection	\$ 17,781.57
Income Tax Fund	\$ 25,764.58
ALS Membership	\$ 949.68
Combined Deposit account	\$849,403.53
DDA Account	\$ 3,181.01
DRUG Enforcement	\$ 1,213.41
HPD Abandoned Property	\$ 233.42
Payables Account	\$ 72,768.76
Payroll Account	\$ 67,866.66
CD – 36 Months – 47 Months	\$ 5,329.81
CD - Public Funds	\$ 2,269.57
Income Tax	\$ 43,719.85
Bonds	\$ 0.00
Incoming ACH Payments	\$ 0.00
Property Tax	\$ 9,858.36

747446:

Motion by Carl Sword, seconded by Natalie Loop **to accept the Account Balances & Check Register and place on file.** CARRIED 7-0 by roll call vote

747447:

Motion by Lee Daugherty, seconded by Pam Ely **to accept the Revenue Expenditure Report and place on file.** CARRIED 7-0 by roll call vote

747448:

Motion by Rick Moreno, seconded by Lee Daugherty **to accept the Department Head Reports and place on file.** CARRIED 7-0 by roll call vote

MANAGER'S REPORT:

- Charles Weir attended a Zoom Meeting with Lenawee Now about the Economic Development Administration EDA Grant awarded to Lenawee and Hillsdale Counties. Lenawee County will receive \$823,200.00 to help businesses retain jobs and attempt to create more jobs in the County.
- Milk Source Dairy was sold but will remain in business. Rathmourne Dairy purchased the operation. Rathmourne Dairy is based in Port Hope, Michigan.
- City Treasurer, Linda Cross and City Manager, Charles Weir has a meeting scheduled with Burke Castleberry from the Lenawee County Prosecutor's Office, to discuss the City Income Tax Ordinance and the prosecution procedures.
- Charles Weir spoke with property owner of 109 Mechanic Street about the cleanup of the building rubble after the fire at his property. He was advised that he is in the process of finding a contractor to clean up the site.
- City Offices will be closed November 25th and 26th for the Thanksgiving Holiday.
- The City Christmas Tree is ready for the tree lighting ceremony after the parade on Saturday the 27th.

COUNCIL COMMENTS:**ADJOURNMENT:****747449:**

Motion by Rick Moreno, seconded by Carl Sword to **adjourn the meeting at 9:00 pm**

APPROVED: _____
Carmel Camp, Mayor

ATTEST: _____
Jeaniene McClellan, City Clerk