



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

June 24, 2015

Governor Rick Snyder
P.O. Box 30013
Lansing, Michigan 48909

RE: Receivership Transition Advisory Board Annual Evaluation of the City of Pontiac

Governor Snyder:

On August 19, 2013, you appointed a Receivership Transition Advisory Board (RTAB) to serve in the City of Pontiac upon the conclusion of Louis Schimmel's term as Emergency Manager. This appointment also created a duty for the Board to conduct a formal evaluation of the City's operational and financial progress, noting benchmarks achieved and not yet achieved, including a list of specific recommendations and potential resources available to the City. This report is that requested evaluation.

Background

As directed in your appointment letter, the Board has observed the terms of EM Order S-334. To achieve this, the City prepares and submits a packet containing City Council minutes, requested agenda items for the monthly RTAB meetings, and supporting documentation for these agenda items. All City Council resolutions, and certain decisions rendered by either the Mayor or City Administrator are subject to approval by the Board, which necessarily has involved the Board in all municipal matters that the City acts upon.

Structure of Evaluation

The annual evaluation is intended to determine the City's operational and financial progress and provide a list of specific recommendations and other constructive feedback that can promote and ensure its long-term sustainability.

In consultation with the Board members, Treasury staff developed evaluation criteria designed to gauge certain performance indicators, the degree of continued state oversight, the implementation of best practices, and the City's involvement in future planning. Treasury staff met with Mayor Deirdre Waterman and City Administrator Joseph Sobota on March 18, 2015 and administered the evaluation questionnaire.

Summary of Evaluation

The City is financially stable and saw an end of year Fund Balance in the General Fund for FY 13/14 of approximately \$5.131M (18%), which represents an increase of \$4.25M from FY 12/13. Much of this increase is attributable to increases in Taxable Value and improvement in city income tax collection.

The City has met many of the identified Annual Performance Indicators and has stated its recognition to continue to focus on implementation of best practices and future planning indicators. In addition, the hiring of a full-time Deputy Mayor is a priority and will likely expand the operational and administrative stability of the City.

Summary of Findings - Annual Indicators

Since the RTAB has been appointed, the City of Pontiac has successfully met many of its identified short-term indicators, which has improved its financial stability and concurrently increased its operational efficiency. The City of Pontiac has increased the amount of its unassigned Fund Balance in the General Fund and has assumed no new debt. The City has focused on improving its income tax collection processes, which has directly contributed to the improved financial condition of the City. Although the City remains involved in 44 active cases of litigation, the overall number of these cases has gradually declined from 56 cases in 2014.

The City has made significant strides in the area of economic and community development over the past year. Since 2012, the City has seen 44 development projects, with a total construction value of \$175.2M. The City has also razed 239 vacant structures throughout the community. Continued focus on economic and community development efforts is a high priority of Mayor Waterman.

The City, however, has not completely established a comprehensive annual goal-setting process for department heads. The City Council has not routinely engaged in annual goal setting. The City also does not utilize internal benchmarking to evaluate its activities. No comprehensive training policy exists and no funds are allocated for training expenses for city employees.

Summary of Findings - State Oversight

Since the appointment of the RTAB, the working relationship between City administration and the Board has improved. The working relationship between the Board and Mayor Waterman has also greatly improved and the Mayor's confidence and decisiveness continues to grow during her first term in office. The Board has also developed a professional and efficient working relationship with the City Administrator.

Several RTAB members commented during the evaluation process that the Mayor, City Administrator, and City Council need to continue to collectively work together. It was noted that with issues primarily involving the GERS Board, the Mayor and City Administrator appear to have been at opposing viewpoints with the City Council. RTAB members also noted several instances, most notably the appointment of members to the GERS Board and the need to implement a Section 420 Transfer from the pension system, where the City Council has been reluctant to engage with the RTAB; limiting timely resolution of these issues. Approval of staffing requests for the City Council has also been an area of tension.

Summary of Findings - Implementation of Best Practices

After one year under RTAB oversight, the City has developed and adopted new job descriptions for all employees. A fund balance policy, which calls for a 15% unassigned fund balance in the General Fund, has been adopted. The City has also implemented the use of a multi-year cash flow.

Conversely, the City needs to update a number of internal written policies and procedures. The City also has not implemented written standards for financial best practices and an active risk management program has not yet been fully implemented. A comprehensive training policy for city employees is lacking and a comprehensive, regular City Council goal-setting process is also absent and has not been a priority for Council.

Summary of Findings - Future Planning

Over the past year, the City has shown some progress in this area. The City's tax base is slowly improving and strides are being made in the areas of economic and community development. The City is partnering with Oakland County in the development of a comprehensive Economic Recovery Plan, which when completed, should aid efforts to expand the local tax base.

While the City does significantly involve department heads in the budgeting process, a multi-year budget document is not currently being used. The City also does not currently utilize a comprehensive capital improvements plan nor does it integrate such a plan into its budget process, as required by city ordinance.

The August 19, 2013 appointment letter required the City to adopt model charter provisions as a condition of the removal of the RTAB. A proposed new City Charter was voted on by the citizens of Pontiac in May 2015, but was rejected. The City should, but has not yet, given consideration to the next steps now that the proposed charter was rejected.

Conclusions

Currently, the City of Pontiac is in a financially strong position, with year-end unassigned fund balance that exceeds what is required by internal policy. A number of operational improvements have also been implemented over the past year. However, additional operational issues need to be addressed in order to help sustain recent financial improvements.

Sustained teamwork between the Mayor, City Administrator and City Council is lacking and needs to be improved. The City Council's lack of engagement with the RTAB is also an impediment, but greater emphasis will be placed on this by the Board and Treasury.

Resolution of outstanding litigation including pension and OPEB issues must remain a priority for the City. Specifically, a substantive discussion between the Mayor, City Administrator, the City Council, the GERS Board and the RTAB concerning the transfer of the City's pension funds to MERS needs to occur. Resolution of the litigation concerning OPEB benefits must be successfully resolved by the City. Also, the high number of litigation cases, including all litigation regarding the Phoenix Center, must be addressed and the City must continue to implement risk management measures to minimize future litigation.

The City also needs to complete the hiring process for the Deputy Mayor position, place more emphasis on internal goal-setting, benchmarking, employee training, and prioritize the completion of updates to their internal policies and procedures. The Board also believes that the City should give strong consideration to developing a multi-year financial projection that extends for a longer period than the rolling two-year projection currently required by BM Order.

Despite a number of positive developments within the City, the RTAB believes that it is premature to consider removal of the City from receivership. The continuation of the RTAB is recommended.

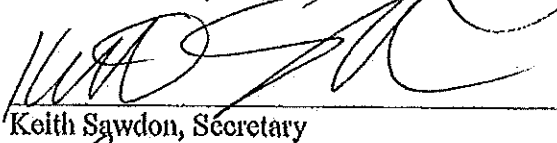
Sincerely,
Pontiac Receivership Transition Advisory Board



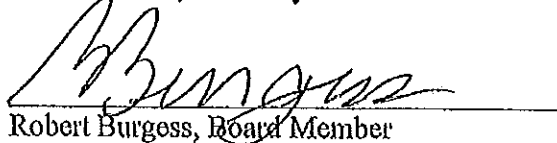
Edward Koryzno, Chair



Louis Schimmel, Vice-Chair



Keith Sawdon, Secretary



Robert Burgess, Board Member



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Receivership Transition Advisory Board

Community Evaluation Criteria

Community: City of Pontiac

Date of RTAB Appointment: August 19, 2013

Review Date: March 18, 2015

Date of RTAB Review Approval: *June 17, 2015*

EXPLANATION OF CRITERIA

The Governor's RTAB appointment letter dated August 19, 2013 mandates that the Board "conduct a formal annual evaluation of the City's operational and financial progress by identifying strengths, weaknesses, benchmarks achieved, and benchmarks not yet achieved, including a list of specific recommendations, potential resources available to assist City officials, and any other constructive feedback that informs City officials, residents, and other stakeholders concerning how the City can promote and ensure its long-term sustainability."

The categories the community will be evaluation upon include:

- Annual Performance Indicators: Identification and measurement of the progress made by a local unit on specific criterion over the past evaluation period.
- State Oversight: Identification and measurement of the level of State oversight needed to be exercised by the RTAB to effectively monitor and guide local operations over the past evaluation period.
- Best Practices: Identification and measurement of the degree by which a local unit has implemented practices and procedures to improve its financial and operational conditions going forward.
- Future Planning: Identification and evaluation of those items that a local unit has implemented to improve its financial and operational conditions over the long-term.

The final report will also include comments and observations approved by the RTAB Board.

The final approved report will be transmitted to the Governor's office. A copy of the final report will also be provided to the local community as well as the district State Representative and State Senator.

SECTION 1. Annual Performance Indicators

Identification and measurement of the progress made by a local unit on specific criterion over the past evaluation period.

Submission of an Annual Audit

Submission of a timely and unqualified audit report is an indication of the financial strength and practices of a local unit.

	Yes	No	Comments
Has an annual audit been submitted?	X		
Is the audit report unqualified?	X		

Compliance with a Deficit Elimination Plan

A requirement for a local unit to file an approved deficit elimination plan (DEP) could be reflective of financial weakness within the local unit.

	Yes	No	Comments
Has the submission of a DEP been required?		X	Treasury has recently requested the City provide a DEP for one of the TIFA funds. The City is discussing the need to provide a DEP for this fund with Treasury

Pension/OPEB Liabilities

Pension and OPEB liabilities can be a tremendous drain on the fiscal resources of a local unit. The level of liabilities a local unit has could be reflective of a financial weakness.

	Yes	No	Comments
Are the overall funding levels for pension and OPEB liabilities stable or increasing?		X	The City Administrator believes that government-wide OPEB liabilities are increasing. The City is in the process of updating an actuarial report on OPEB costs.

Compliance with the Two-Year Budget			
<i>Adoption and compliance with a two-year budget by a local unit is required by P.A. 436 of 2012. The level of compliance will be an indicator of the success of the local unit in reestablishing full local control.</i>			
	Yes	No	Comments
Is the local unit meeting its two-year budget projections?	X		The City is exceeding its two-year budget projections. FY 14 Fund Balance of \$5.131M, an increase of over \$4M from last fiscal year.
How many budget amendments have been required?	<p>Two budget amendments have been approved by the RTAB. The first transferred funds to the TIFA for debt service.</p> <p>The second amendment included general amendments to the two-year for the second year prior to its implementation July 1, 2014 for FY 15.</p>		
Reduction of Debt Levels/Debt Service-to-Expenditure Ratios			
<i>Generally, declining debt levels reflect a fiscally strong local unit.</i>			
	Yes	No	Comments
What is the current debt level?	<p>The City has three bond issuances totaling \$39.81M. This debt was issued by the City's Tax Increment Finance Authority.</p> <p>\$780,875 will be repaid by the end of FY 17; \$4.02M will be repaid by the end of FY 24 and the remaining \$35.013M will be repaid by the end of FY31.</p> <p>The Department of Treasury has a debt schedule on-file.</p>		
Is the overall debt level of the local unit declining?	X		All debt held by the City is bonded debt.
Has the local unit assumed any new debt?		X	

Bargaining Unit Issues			
Multiple grievances, arbitration cases, and EEOC complaints are symptomatic of local unit operational issues and a sign of unpreparedness for full local control			
			Comments
How many labor grievances, especially arbitration cases, are currently pending?	The City currently has no bargaining units. The only bargaining units are within the District Court.		
How have the outcomes of these actions generally impacted the local unit?	Issues of calculating accrued time-off within the District Court have been identified in the City's past two annual audits, but the Court has yet to address this issue.		
Litigation			
Extensive litigation and high litigation costs can be damaging to a local unit. Minimizing litigation costs while implementing risk management programs and ensuring proper insurance coverage will greatly assist a return to full local control.			
			Comments
What is the total number of legal actions against the community?	Active cases currently pending against the City have declined since appointment of the RTAB. However, 44 cases are still pending against the City. The City provides quarterly updates to Treasury on the status of its litigation proceedings.		
What have been the financial impacts of litigation declining?	The City currently has an active case involving excessive force being used by the police with \$500K in exposure. This case has the largest identified exposure.		
Is the local unit implementing measures to minimize future litigation?	X		Yes. The City has a self-insurance service account with a \$2M fund balance. The City has hired a Right-of-Way Inspector to begin to identify and address liabilities within the public rights-of-way.

Achievement of Identified Goals			
<i>Creation, adoption and implementation of goals are important benchmarks for a local unit to achieve in order to improve financial and operational conditions. The extent to which a local unit achieves its goals is a determinant in restoration of full local control.</i>			
	Yes	No	Comments
Has the local unit established any benchmarks (either internally developed or by referencing external sources) to evaluate its operational effectiveness?	X		The City has begun to compile internal data and will be working toward the implementation of benchmarks.
Or			The City is planning on participating in a Benchmarking Consortium.
How is the community measuring its operational effectiveness?			Also, the City is participating in a number of programs designed to implement best practices for community development projects.
Organizational Stability			
<i>Given the nature of communities in fiscal distress, organizational stability is critical to reestablishing local control. Evaluation of organizational stability is important.</i>			
	Yes	No	Comments
Does the local unit employ a professional Chief Administrative Officer?	X		
Has there been more than 50% turnover on the local elected body in the most recent election?	X		Four of eight councilmembers were elected in the 2013 election. None of the current City Council members have governed under full Home Rule.
Has the Chief Administrative Officer served in the local unit for more than two years?	X		
Has the local unit reduced its total workforce by more than 5% since the last evaluation?		X	The City's workforce has increased 20%, from 20 to 25, since the appointment of the RTAB.
Operational Effectiveness			
<i>Efficient and effective service provision is also a key sign of overall improvement in fiscal and operational conditions. Evaluation of operational effectiveness is important in judging the progress of a local unit.</i>			
	Yes	No	Comments
Has the RTAB received evidence of documented cases of basic services not being provided in a timely manner?		X	Members of the RTAB have received no complaints of basic services not being provided.

Has the RTAB received evidence of documented cases of significant citizen complaints not being addressed?		X	Members of the RTAB have no documentation of citizen complaints not being addressed.
Have there been any cases of significant infrastructure or equipment failures?	X		The City has experienced some computer system failures over the past year.

General Observations/Comments Regarding Annual Performance Indicators

- The City is successfully meeting many of the identified short-term indicators.
- No instances of failure to provide basic services or failure to respond to complaints have been recorded.
- The City is exceeding its budget projections and has not implemented any significant budget amendments.
- Debt obligations are being met and no new debt has been assumed.
- Aside from some issues within the District Court, labor relation issues are minimal.
- The number of litigation cases is gradually declining and the City is taking steps to minimize future litigation.
- The City is also taking steps to implement more formalized goal setting procedures and emphasize more benchmarking to evaluate its activities.

Recommended Actions

- The City should continue to meet the identified Annual Performance Indicators, with a focus toward maintaining financial and operational stability.
- Completion of an OPEB actuarial report should be prioritized.
- Improving relations with the District Court should assume a higher priority.
- Resolving ongoing litigation should remain a priority and efforts to minimize future litigation should continue.
- Efforts to develop and implement best practices and internal benchmarking should continue and become a high priority for the City.
- Ongoing training should also continue to be a priority for all City personnel.

SECTION 2. State Oversight

Identification and measurement of the level of State oversight needed to be exercised by the RTAB to effectively monitor and guide local operations over the past evaluation period.

Compliance with Final Emergency Manager Order

A departing Emergency Manager will likely leave a detailed and comprehensive Final Order that will specify certain requirements and prohibitions for a local unit as it transitions back to local control.

	Yes	No	Comments
Is the City Administrator working collaboratively with the City Council, the Mayor and Deputy Mayor, other City or State officials and the Board to successfully transition to the termination of receivership for the City?			<p>The responses to this question were quite mixed.</p> <p>City officials noted that the RTAB is providing sufficient support to the City and that City staff has identified a number of best practices that need to be implemented for the City to be successful in a post-receivership environment.</p> <p>It was noted that, administratively, the hiring of the Deputy Mayor will provide strong support to the Mayor in overseeing City operations.</p> <p>However, it was noted that the City Council does not appear to be devoting enough time and attention to training or with setting and prioritizing goals and objectives.</p> <p>RTAB members perceive instances of where the City Council was in complete disagreement with the Mayor and City Administrator over issues.</p> <p>It appears to most RTAB members that while the Mayor and City Administrator appear to be working fairly well together that their relationship also appears strained at times.</p>
What are the relations with the 50th District Court?			Relations with the Court appear strained. The Court has not apparently addressed issues identified in the City audit, there appears to be a lack of collaboration on collective bargaining issues and a lack of a history of working together.
Is a register of all disbursements issued by the City published on the City's website on a weekly basis?	X		Consistently.

	Yes	No	Comments
Work with the City Council, the City Administrator, other City or State officials and the Board to successfully transition to the termination of receivership for the City by supporting, implementing, and maintaining the financial and operating plans and the reforms instituted by the City's emergency financial managers and emergency managers, including, but not limited to, the financial and operating plan for the city under Section 11 of P.A. 436.	X		<p>The RTAB members generally believe that the Mayor and City Administrator are working well with the RTAB to transition the City from receivership. It was noted that the working relationship with the Mayor has, in particular, improved over the past year.</p> <p>However, it was noted that a similar working relationship does not really exist with the City Council.</p>
Appoint a deputy mayor, subject to the requirements of the City's position job description, with confirmation from the Council, and the Board, to serve at the pleasure of the Mayor.		X	<p>The hiring process for a Deputy Mayor is in-progress.</p> <p>Treasury is assisting the City in the recruitment process with a second search. A candidate was not hired from the initial search.</p>
Has a funding source for the Police and Fire VEBA been identified?	The use of excess funding in the GERS pension system was identified but not implemented. This issue is currently in-mediation between the City and retirees.		
<p>What are some of the recent economic development successes of the local unit?</p> <p>What direction does the future of community development within the community appear to be heading?</p>	<p>Since 2012 the City has seen 44 development projects, with a total construction value of \$175.2M. Three new projects are also currently under review.</p> <p>Throughout the City, 239 vacant structures have been razed.</p> <p>The City's collaboration with Oakland County on economic development has greatly improved. However, the City does not actively recruit new development due to a lack of resources.</p>		
Provide in its policies and procedures that public comment non-agenda items shall be placed on the agenda just before adjournment and public comment shall be limited at the beginning of the meeting to agenda items only, with a two-minute limit per speaker for both parts.	X		

	Yes	No	Comments
What is the status of the completion of the conversion and mitigation process of Galloway Park and the Hayes Jones property?	No firms responded to a RFP issued for this work. The City is rebidding this activity.		
Have the Mayor and City Council received annual training on the Open Meetings Act, and reading and understanding financial statements and financial reports?		X	<p>There have been mixed reactions to training opportunities among City officials.</p> <p>Training on Open Meetings Act was held in December 2013 and another session is currently being planned.</p> <p>Training on financial statements was held in December 2013 and again in late 2014. Additional sessions are being planned for 2015.</p>
Have all planning commissioners, zoning board of appeals members, and members of the board of review received annual training to assist them in the fulfillment of their roles and responsibilities?	X		<p>Training is offered to all members; 35 have taken training.</p> <p>The City's participation in the One Stop Ready Program requires 12 hours of annual training. These requirements are currently being implemented.</p>
Are all board and commission agendas (at least 48 hours before the meeting) and minutes (draft and approved when prepared) being posted online?	X		
Are all fees being annually reviewed?	X		<p>A review is performed during the budget preparation period.</p> <p>The City is currently reviewing its fee structure prior to the start of FY 15-16.</p>
Are all proposed expenses associated with elections being reviewed?	X		
Is an inventory of City assets being annually reviewed?	X		<p>The City conducted an inventory for compliance with GASB 34.</p> <p>739 City-owned parcels were identified in the inventory.</p>
Are general property, liability, and motor vehicle insurance levels and coverage being annually reviewed prior to renewal?	X		The review is conducted annually in June.

Degree of RTAB Oversight			
<i>The degree by which a RTAB must exercise oversight over a local unit could be indicative of its progress toward full local control and the local unit's reliance on the RTAB to make "difficult decisions."</i>			
	Yes	No	Comments
Has the local unit been providing timely and complete information to properly-made requests from the RTAB?	X		<p>The RTAB members generally believe this is true. However, it was noted that periodically some requests for information were not provided.</p> <p>Some slight dissatisfaction with the timeliness of the City's financial reports was also noted.</p>
Has the RTAB overruled local decisions?	X		The primary instance has been in the appointment of members to the GERS Board.
Has the RTAB rejected local proposals or requests for action?	X		<p>The primary examples of this have generally dealt with issues related to the granting of pension and OPEB benefits.</p> <p>The majority of these actions have been initiated by the City Council.</p>
Level of Effort			
<i>What is the local unit's apparent level of effort in pursuing its identified priorities?</i>			
	Yes	No	Comments
<p>Is the City working cooperatively with the RTAB to accomplish identified priorities?</p> <p>If no, is the local unit openly reluctant or resistant to working with the RTAB?</p>	X		<p>The RTAB members generally believe this is an accurate statement.</p> <p>The working relationship with the Mayor and City Administrator has grown over the past year.</p> <p>However, RTAB members noted several instances of the City Council being reluctant to work with the RTAB; including staffing issues for Council, the 420 Transfer, and GERS Board.</p>
Has the City refused or not pursued actions required by state law or Emergency Manager Order?		X	The RTAB members have seen no evidence of this.

	Yes	No	Comments
Are there special circumstances preventing the City from accomplishing particular priorities?		X	<p>The RTAB members do not see any immediate short-term obstacles.</p> <p>However, the outcome of retiree healthcare litigation could dramatically change this situation should the City not prevail in this matter.</p>
Does the City lack resources necessary to accomplish particular priorities?	X		<p>The City has identified that funds are lacking for road repair projects.</p> <p>The City noted that other goals are achievable with existing resources.</p> <p>The RTAB members appear to generally believe that the City has sufficient short-term financial resources, but resources for long-term capital improvements are limited.</p>

General Observations/Comments Regarding State Oversight

- The working relationship between the City and the RTAB has, overall, improved over the past year.
- The City is generally complying with the terms of all Emergency Manager Orders.
- The working relationship with the City Administrator has been professional and efficient. However, a periodically strained working relationship with the Mayor has limited a timely resolution of some issues.
- The working relationship with the Mayor has greatly improved and the Mayor's confidence and decisiveness continues to grow.
- The RTAB has yet to be able to effectively engage the City Council. Issues pertaining to the GERS Board and pension and OPEB benefits are the most significant area of tension.
- The City has made significant strides in the area of economic and community development over the past year.

Recommended Actions

- The City needs to ensure that it continues to adhere to the requirements of all Emergency Manager Orders. No instances of violations were noted, but vigilance on this point is still recommended.
- The City Administrator and City staff should continue to support the Mayor and City Council in making effective decisions and in the timely implementation of approved actions.
- The Mayor and City Administrator need to continue improving their working relationship.
- The RTAB needs to prioritize engagement with the City Council.
- The Mayor, City Administrator and City Council need to collectively find ways to mutually support each other and collaboratively work together.
- Resolution of pension and health care issues need to remain a priority. Specifically, a substantive discussion between the Mayor, City Administrator, the City Council, the GERS Board and the RTAB concerning the transfer of the City's pension funds to MERS needs to occur.
- The hiring of a Deputy Mayor should be completed as soon as practical.
- The focus on economic and community development efforts should continue.
- A greater emphasis on completing training needs to be adopted. This should be of particular focus to the City Council. The City should also consider allocating funds to cover training requests by City employees.

SECTION 3. Best Practices

Identification and measurement of the degree by which a local unit has implemented practices and procedures to improve its financial and operational conditions going forward.

Adoption of Written Financial Policies

The Governor's orders currently in effect require the implementation of best financial practices, "...as adopted by the financial officers' association."

	Yes	No	Comments
Has the local unit adopted written financial policies?	X		The City intends to adopt additional policies.
Has the local unit implemented the recommendations for best practices, as set forth by the Government Officers Finance Association's "Best Practices and Advisories?"		X	The City is considering implementation of these standards, but has not yet done so.

Adequate Risk Management and Insurance Coverage

Having an active risk management program and adequate insurance coverage will decrease the potential exposure and liability of a local unit.

	Yes	No	Comments
Has the local unit implemented an active risk management program?	X		The City recently conducted a risk management assessment. The results of this assessment are in the process of being implemented.
Does the local unit have adequate insurance coverage and loss reserves in-place?	X		The City has \$500K available. This figure is established based upon internal reviews that compare and evaluate cost vs. loss runs.
Is the local unit placing litigation related losses (judgments or settlements) on its tax rolls?		X	

Establishment of Undesignated Fund Balance Levels

A local unit should establish a minimum level of undesignated fund balance that will be reserved annually.

	Yes	No	Comments
Has the local unit established a minimum level of undesignated fund balance that will be reserved annually?	X		A 15% undesignated fund balance has been designated.
Has the local unit adopted a written policy to set this fund balance level?	X		The City has adopted a written policy setting a 15% fund balance level.

Utilization of Cash Flow Projections			
<i>A multi-year cash flow projection will be beneficial in determining the overall financial strength of a local unit.</i>			
	Yes	No	Comments
Has the local unit developed a monthly multi-year cash flow projection?	X		The City utilizes an 18-month projection.
Has the local unit taken any steps to address any concerns identified by the cash flow projection?			Not currently applicable as the City currently has no identified cash flow issues.
Development of Written Policies			
<i>The development of written policies and procedures, including an employee handbook and employee job descriptions, will assist a local unit in achieving operational stability and consistency.</i>			
	Yes	No	Comments
Does the local unit have any adopted written policies and procedures?	X		<p>The City noted that internal policies have not been actively reviewed in twenty years.</p> <p>The City is currently revising its Information Technology policy.</p> <p>The City plans on implementing a policy to review internal policies on a two-year cycle.</p>
How are policies distributed to employees and records retained?	<p>This is currently not applicable as the City has not been implementing new polices.</p> <p>The City Administrator plans on implementing comprehensive employee notification and record retention systems once new policies are written.</p>		
Do employee job descriptions exist?	X		
Are job descriptions periodically reviewed and updated?	X		New job descriptions were reviewed and approved by the RTAB within the past twelve months.
Does the local unit have an employee handbook?	X		The current employee handbook was adopted in 1989.
Is the handbook periodically reviewed and updated?	X		The handbook is currently under review for eventual updating.

Training			
<i>Training objectives should be implemented annually for all staff and elected officials within a local unit. Training objectives can be focused by the development of departmental goals and objectives, however, the orders issued by the Governor require mandatory financial and managerial training for elected officials. Resources should be allocated to adequately provide needed training. A minimum number of training hours per individual per fiscal year should be required.</i>			
	Yes	No	Comments
Does the local unit have a training policy?		X	No written policy exists. Some standards are identified in employee agreements. Training requirements do exist for members of appointed boards and commissions.
Does the policy apply to both elected and appointed officials and employees?	X		
Is the development and implementation of annual training goals required?		X	Only for City boards and commissions.
Are specific types or frequency of training activities required?		X	
Does the local unit annually budget for training?	X		Only for elected officials and appointed boards and commissions. City employees must pay for their own training.
Consolidation/Collaboration Efforts			
<i>Efforts to consolidate services and/or collaborate on service delivery with other units of government are operationally and financially beneficial.</i>			
	Yes	No	Comments
Is the local unit pursuing service consolidation/collaboration?		X	Most City services have already been contracted to other entities (police, fire, water, street maintenance). The City believes that only minor services remain that could be consolidated.
Have any operational benefits to these efforts been identified?			Not currently applicable
Have any financial benefits to these efforts been identified?			Not currently applicable

Development of Elected Body Goals and Objectives			
<i>The elected body of a local unit should create and implement reasonable operational goals and objectives and a basic timeframe by which said goals and objectives will be implemented. The overall objective is to improve overall management and operational efficiency within the local unit and to develop accountability for implementation.</i>			
	Yes	No	Comments
Has the local elected body adopted annual goals and objectives?	X		<p>The City Council adopted one set of goals in 2014 but has not updated them.</p> <p>The City Council has indicated that they wish to conduct their own retreat to update their goals with no participation from the Mayor or City Administrator.</p>
Do the adopted goals and objectives contain timetables for implementation?		X	The implementation of some goals was incorporated into the FY 14 budget, but not in writing.
Are the adopted goals and objectives periodically reviewed and reprioritized?		X	
What priority is being placed on the implementation of the adopted goals and objectives?	<p>Priorities vary by individual but appear to have minimal priority collectively.</p> <p>Priorities also appear to vary depending upon the topic of the goal.</p>		
Development of Managerial and Departmental Goals and Objectives			
<i>All departments, including the Chief Administrative Officer, within a local unit should be required to create and implement reasonable operational goals and objectives and a basic timeframe by which said goals and objectives will be implemented. The overall objective is to improve management and operational efficiency within the community at the departmental level and to develop accountability for implementation.</i>			
	Yes	No	Comments
Has the Chief Administrative Officer and department heads developed and adopted annual goals and objectives?	X		<p>Annual reports are required of each department head.</p> <p>Copies of annual reports have been provided to the Department of Treasury.</p>
Do the adopted goals and objectives contain timetables for implementation?	X		Reasonable timelines are established for each identified project.

	Yes	No	Comments
Are the adopted goals and objectives periodically reviewed and reprioritized?	X		This is the first year that annual goals have been required. Periodic review will be implemented in future years.
What priority is being placed on the implementation of the adopted goals and objectives?	Identified goals and objectives are being prioritized into the City's Budget for implementation.		

General Observations/Comments Regarding Best Practices

- The implementation of best practices is viewed as the implementation of mid-range goals. The City, after one year under RTAB oversight, has had some successes in this area but additional focus remains necessary.
- The City has a number of internal written policies and procedures, but most are outdated.
- Written standards for financial best practices have not yet been implemented.
- An active risk management program has not yet been fully implemented.
- A fund balance policy is in-place and a multi-year cash flow is being utilized.
- New employee job descriptions have been adopted.
- A comprehensive training policy is lacking.
- Comprehensive goal setting by the City Council remains lacking but is being implemented for department heads.

Recommended Actions

- The overall implementation of best practices should remain a high priority.
- Written standards for financial best practices need to be implemented.
- Implementation of an active risk management program needs to be completed.
- Adherence to the City's Fund Balance Policy must continue.
- Review and updating of internal written policies and the employee handbook must be prioritized and completed. Further, an effective system to disseminate this information to all employees must be implemented.
- Implementation of a written, comprehensive training policy should be undertaken.
- Engagement of the City Council in the establishment of comprehensive goals and objectives should become a priority.
- The City should continue with requirements for annual department head goals and objectives.

SECTION 4. Future Planning

Identification and evaluation of those items that a local unit has implemented to improve its financial and operational conditions over the long-term.

Utilization of a Capital Improvements Plan

A six year capital improvements plan (CIP) is required under the provisions of the Michigan Planning Enabling Act (P.A. 33 of 2008). The use of a CIP can identify needed capital and physical improvements and be tied to an annual budget process to allocate available resources for identified needs.

	Yes	No	Comments
Has the local unit adopted a Capital Improvements Plan?		X	A CIP is being used but it has a limited scope. The City recognizes that development of a CIP is required by Emergency Manager Order but has not implemented development.
Are department heads involved in the CIP development process?	X		
Is the Planning Commission involved in the CIP development process?		X	This task has been assigned to the Community Development Director.
Does the community utilize the CIP in its annual budget process?	X		City ordinance requires a CIP to be incorporated into the annual budget document. Future improvements to the CIP process will expand its usefulness.

Pursuance of Tax Base Enhancement

True recovery of communities in financial emergencies will be through economic development and community revitalization efforts that result in an enhancement to the local tax base.

	Yes	No	Comments
Is the local tax base growing?	X		A slight increase in Taxable Value has been recorded. Assessed Valuation has also increased. Income Tax revenue has increased by over \$1M in the past year.
Has the local unit allocated any resources toward the enhancement of its tax base?	X		The City has allocated \$148K in the FY 16 budget for staff support and implementation of its Economic Recovery Plan. The City plans to include allocations in future budgets.

Budget Forecasting			
<i>Adoption of an annual budget is a key function of the local unit and indicative of the allocation of available resources. The adoption of a multi-year budget is recommended to produce a longer term view of the financial stability of the LUG. A multi-year budget of 3-5 years in length is recommended as optimal.</i>			
	Yes	No	Comments
Has the local unit adopted a multi-year budget beyond the required two-year budget?		X	This has been discussed but not implemented.
Is the local unit adopting its budget in a timely manner?	X		
Are department heads involved in the budget development process?	X		Department heads are highly involved in the annual budget process.
Adoption of Model Charter Provisions			
<i>The orders issued by the Governor call for the adoption of model charter provisions that are "...in the City's best financial interests." Some specific charter amendments could be identified in a Final EM Order. Others may need to be independently identified. A process to propose and move forward with adoption also needs to be identified and pursued by the local unit.</i>			
	Yes	No	Comments
Has the Governor required the local unit to adopt model charter provisions?	X		
Has the local unit independently initiated a charter revision process?	X		A City Charter Commission was established prior to an Emergency Manager being appointed for the City.
Has a determination been made of what charter amendments need to be considered?	X		A City Charter Commission has written a new City Charter. The Charter was voted on, but was rejected by the citizens of Pontiac in May 2015.
Has the local unit moved forward with adoption?		X	
Have any proposed amendments been adopted?		X	

General Observations/Comments Regarding Future Planning

- Future planning is best seen as the implementation of long-term goals and objectives. Over the past year the City has had some progress in this area but has a number of items remaining that need to be addressed.
- The City's tax base is slowly improving and strides are being made in economic and community development.
- The City lacks a comprehensive capital improvement plan.
- The City does significantly involve department heads in the budgeting process but does not utilize a multi-year budget document.
- A new City Charter was rejected by the citizens of Pontiac in May 2015.

Recommended Actions

- The City needs to implement a comprehensive capital improvements plan and fully integrate this plan into its budget process, as required by City ordinance.
- The City needs to continue to support efforts to expand its local tax base and it needs to improve City income tax collection efforts.
- Strong consideration should be given to the implementation of a multi-year budget document.
- Concerted involvement of department heads should continue throughout the budget process.
- Some consideration should be given to the next steps since the proposed City Charter was not be adopted by the citizens.

Overall Observations Regarding the City of Pontiac

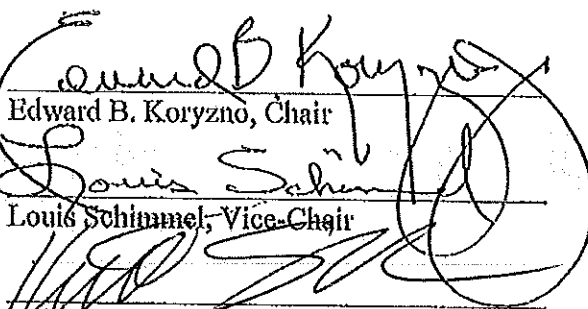
- The City has accomplished a number of items over the past year and appears to be trending in a positive, upward direction.
- Sustained teamwork between the Mayor, City Administrator and City Council is lacking but should be a priority.
- The hiring of a Deputy Mayor should be a priority and should expand the operational and administrative stability of the City.
- The apparent strained relationship between the Mayor, City Administrator and the City Council and the City Council's lack of engagement with the RTAB is an impediment.
- The City is meeting many of the identified Annual Performance Indicators.
- The City needs to continue to focus on implementation of best practices and future planning indicators.

Final Recommendations

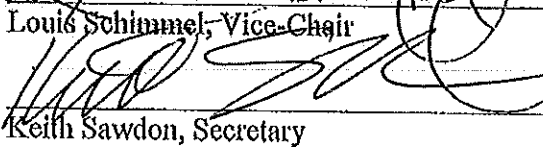
- Resolution of pension and OPEB issues must be a priority for the City.
- Resolution of all litigation regarding the Phoenix Center must be a priority.
- Greater emphasis must be placed on engagement of the City Council by the RTAB.
- The City must place more emphasis on internal goal setting and benchmarking and employee training.
- The City should give strong consideration to developing a multi-year financial projection.
- The City should prioritize completing the updates to their internal policies and procedures.
- The City should continue implementation of a comprehensive risk management program.

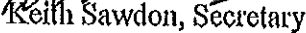
Despite a number of positive developments within the City, the RTAB believes that it is premature to consider removal of the City from receivership. Continuation of RTAB oversight is recommended.

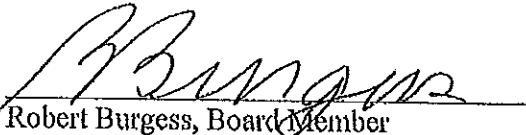
Pontiac Receivership Transition Advisory Board


Edward B. Koryzno, Chair

6/23/15
Date


Louis Schimmel, Vice-Chair


Keith Sawdon, Secretary


Robert Burgess, Board Member

Copy to Local Unit:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Date: <u>6/23/15</u>
Copy to State Senator's Office:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Date: <u>6/23/15</u>
Copy to State Representatives' Office:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Date: <u>6/23/15</u>
Copy to Governor's Office:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Date: <u>6/23/15</u>