



CITY OF AUBURN HILLS
City Council Workshop Meeting
Minutes

June 7, 2021

CALL TO ORDER: Mayor McDaniel at 6:13 PM.

LOCATION: Virtual Meeting through Microsoft Teams, <https://bit.ly/AH-Jun07-CC>

Present: Mayor McDaniel (Auburn Hills, MI), Council Members Kittle (Auburn Hills, MI) left at 6:10 PM, Knight (Auburn Hills, MI), Marzolf (Auburn Hills, MI), and Verbeke (Auburn Hills, MI) arrived at 6:10 PM.

Absent: Council Member Burmeister

Also Present: City Manager Tanghe, Assistant City Manager Grice, City Attorney Beckerleg, City Clerk Pierce, Assistant to the City Manager Skopek, Fire Chief Taylor, Finance Director/Treasurer Schulz, Deputy DPW Director Stahly, Engineer Judici, Management Assistant Hagge

3 Guests

The topic of the workshop was "Presentation of the Analysis of the ERC Agreement". Mr. Kittle disclosed that he has a personal relationship with ERC and will not be participating in the discussion due to this conflict.

Ms. Schulz explained that the Finance Department and the Department of Public Works have been reviewing the agreement with the Energy Reduction Coalition (ERC). The City hired PFM Group Consulting, LLC (PFM) to analyze and breakdown the ERC agreement.

Dr. Hank Fishkind, Director with PFM, summarized the relationship with ERC. He noted that the relationship has been beneficial to the City, however the way the agreement is structured, it is hard to understand and administer. He explained the calculations under the agreement based on its formula and noted that two of the key parameters are estimates made by ERC which result in difficulty monitoring the agreement. He stated that the estimated electricity costs have increased faster than the rate of inflation making the savings lower than expected. He pointed out that under any reasonable estimate, the City would save substantial benefits for converting out of the agreement.

Discussion ensued regarding the excess benefit payments and the actual cost of electricity. It was noted that even though ERC offered to improve the agreement, the proposal was insufficient to change PFM's recommendation of an early buyout of the agreement. It was explained that the invoicing from DTE will not change. The City would just not pay the monthly payments to ERC and the City would assume the liability going forward. It was noted that the buyout number came directly from ERC.

Jim Lamerato, with ERC, explained the lifespan and estimated costs of the street lights. He noted that the capital replacement would shift from ERC to the City. Mr. Stahly noted that there has been discussion on the street lights and industry standards. He pointed out the cost difference between what ERC would charge the City versus the rate the City could obtain through a State contract.

The Mayor recessed the workshop at 6:37 PM. The Mayor reconvened the workshop at 6:48 PM.

The meeting adjourned at 6:52 PM.