OFFICIAL MINUTES OF THE
MAY 7, 2018
BOARD OF DIRECTORS MEETING
OF THE
DETROIT WAYNE COUNTY PORT AUTHORITY

Following duly posted notice of meeting date, time, and location and with a quorum present, Chairman Lorron James convened the meeting at 10:05 AM at the Detroit Wayne County Port Authority offices, 130 E Atwater Street, Detroit, Michigan 48226.

BOARD MEMBERS PRESENT: Lorron James, Chairman, Fred Hoffman, Vice Chairman, Bryan Powell, Secretary-Treasurer, Member Jonathan Kinloch, and Member Shannon Price.

OTHERS: Pat Stuka, Nicholson Terminal, Paul Opsommer, Central Transport, Rick Preuss, IBEW Local 58, Bret Hopman, Waypoint Marketing Communications, and Mike Nicholas, GJC

STAFF PRESENT: Kyle Burleson, Interim Executive Director, Delorean Holmes, Interim Deputy Director, and Travis Jackson, Finance Director.

CHAIRMAN'S OPENING REMARKS: Chairman James asked that each guest at the meeting introduce themselves. Patrick Sutka of Nicholson Terminal and Dock Company, Paul Opsommer, Government Relations of Central Transport, and Rick Preuss of IBEW Local 58, each introduced themselves. Chairman James expressed his pleasure at having everyone at the meeting, and said he is looking to improve dialogue and communication between the stakeholders and the Authority.

APPROVAL OF MINUTES: Chairman James asked for a motion to approve minutes for the last Board Meeting, held on March 16, 2018. Upon motion duly made by Vice Chair Hoffman, with any necessary grammatical corrections, seconded by Secretary-Treasurer Powell, the motion carried unanimously, and the minutes were approved.

CHAIRMAN'S REPORT: Chairman James stated he has nothing to report and moved on to Executive Director's report.

EXECUTIVE DIRECTOR'S REPORT: Executive Director reported on five items, starting with Port's funding of the Authority, various conversations with Legislators in Lansing regarding the amount the Port will receive this year.

Executive Director stated that he and staff have been working with Representative Shane Hernandez, Chair of the House Appropriations Transportation Sub-committee, who initially cut the last year's Port funding from $468,000.00 to 100.00 as a place holder and the Port ending up with $200,000.00. The Senate funding Bill has the Port at the full $468,000.00 and the House Bill now has us at $200,000.00 funding. Executive Director and Staff have shared all information requested by Representative Hernandez and held a conference call on Thursday afternoon, wherein Representative Hernandez stated he doesn't have a number for the Port, but he is going to work
with the Senate in conference and that the Port will be pleased with an uptick in funding. Senator Hansen has committed to doing whatever he can so the Port receives proper funding. Senator Hillenbrand, Chair of the Senate Appropriations supports the Port for full funding and will work with the senate Transportation appropriation committee chair.

Vice Chair Hoffman asked what the Governors recommendation is. Executive Director answered by stating it’s the at the full $468,000.00 funding level.

Executive Director responded that Senate bill 711 was reported out of committee a couple weeks ago 9-0, however since then, Sen. Stamas has expressed concerns about the Port becoming another banking institution and asked us for some ideas for making sure the Port doesn’t have a free for all on development and become like the Port Authority in Ohio, which is the primary economic development tool. Executive Director commented that he has given him suggestions including Geographic limits to bonding capacity within 5 miles of the Detroit River. He said Sen. Stamas believes that Wayne County in general is too big. Vice Chair Hoffman ask is MEDC is involved? Executive Director answer that he has reached out to them but hasn’t heard anything back from Stacie Bowerman. Executive Director States that John Parrachio has spoke to the new Director and that he is generally supportive of the Ports goal but has not sent a letter of support. Member Price asks where is the City, County and Central Transport has weighed in on the issue? Executive Director answers that he has asked for the support from the County and City but hasn’t been able to get letters from them even though he has tried. Executive Director states that he and Paul Opsommer have spoken about it and have worked to make a couple of changes to the bill that Central Transport requested and that as far as he knows they are supportive. Paul states that he has not seen the new version but that they did support the version passed out of committee and will look at the new version right away. Member Kinloch asked if the premise is to restrict it and keep it close in as opposed to opening it out like in St. Clair County. Executive Director replaid that this was due to the Harsens Island Ferry wanting to receive Public Act 51 dollars by being a government agency, and that all they would be able to do is drive the boats. Vice Chair Hoffman said that boundaries should be passed off proximity to the waterfront and not political boundaries, Member Kinloch agreed. Executive Director said that he wants the bill to pass with as few restrictions as possible while benefiting everyone possible.

Executive Director states that he hopes to have the Continental contract available for board ratification by the next board meeting. Executive Director asked for the next board meeting to be early in July for ratification of the Continental contract. Member Kinloch mentions public access being a major issue of the building and that he would like to have some language added to deal with general public community access that carves out a number of days or events (blackout dates) at the Executive Director or Chairman’s discretion. Executive Director states that he will bring the request up with continental and that they have discussed continental matching the amount of board subsidization for events. Member Kinloch states that we can still do that but having 3-5 days blackout dates if continental is willing to match, but 5-7 if they aren’t. Member Price states that he wants to make sure that we aren’t taking high revenue generating times. Vice Chair Hoffman states
that any liability questions with the dock are resolved prior to anything concerning the dock. Executive Director states that Travis has already investigated the insurance and that continental would be responsible for security and paying the insurance fee. Vice Chair Hoffman asked if the Riverfront Conservancy allowed alcohol on the Riverwalk. Executive Director states that alcohol is not allowed on the Riverwalk and would be monitored by security as continental does for the Infinity and Ovation yachts. Member Kinloch ask for clarification on what we mean by dock, Executive director answers by stating the area nearest the water.

Executive Director states that the final item he wants to discuss is a meeting he had with Pat and Dan Deane from Nicholson Terminal and Dock Company and that Pat had reached out to him to tell him that they had a lot of concerns about what’s happening at the Port Authority. Executive Director states that he met with them Friday in the Ecorse office to discuss their concerns and that it was a productive meeting and that he received information that he had not known concerning the amount of resources and time spent getting funds to build the Port building and that it was a gentlemen’s agreement that once the building and dock was completed that the Port would look for funds to make improvements at the general cargo dock. Executive Director states that he was not aware of this but that the Executive Directors he served under had been hesitant to invest in property due to concession agreement. Executive Director states that the Port is shooting itself in the foot by not investing in the property and allowing for it to deteriorate, and that by the end of the meeting he committed to Dan and Pat that we would put more focus and investment in the facility. Member Price asked what the investments would look like? Executive Director replies with there being need for paving, power lines needing to be relocated, new Crain’s, adding rail access and other general improvements. Executive Director states that the Port will need to search for a grant writer who has experience with infrastructure and transportation related grants and not hiring a full-time staff member and determining what type of improvements could be completed by issuing bonds. Executive Director states that his predecessor was hesitant to do it at the facility, but Dan and Pat would be open to it, and that at the end of the day these are necessary improvements to improve the facility and grow cargo. Executive Director states that it is his understanding is that with the Ports commitment growing the commitment on behalf of the Ambassador Port Corporation will grow as well and that he told Pat that he would mention it to the board. Member Kinloch states that in that past the Port has requested that they come to the Board meetings annually or quarterly to report to the board but that it hadn't happened and that the asked requested this from continental, and that this would help with communication. Executive Director states that this was discussed and the major issue has been communication since the groups involved don’t have day to day contact and that he invited Dan Stamper but he couldn’t make it today and that he will invite him to the next meeting and that Paul is here representing them as well. Paul thanks Kyle for reaching out and inviting him to the meeting and states that they are more then excited to attend meetings and that they have invested small amounts of money to improvements concerning security of the dock. Vice Chair Hoffman states that this is an ongoing issue and that he has heard that the staff wants to keep up the infrastructure but that the administration has not been supportive of the investments that needed to be implemented based on the concession agreement and that the private parties were unwilling to invest without the investment of the public and neither party stepped up. Executive Director states that we have done grant applications ourselves and has been unsuccessful. Pat states the they have made investments in the terminal to keep things safe and moving in the tune of a few hundred thousand dollars in addition to their obligation of the concession agreement as well as paving, heating electrical and other repairs but that are ready to take the process to the next step and improve the facility and
that Nicholson has put in hundreds of thousands of dollars of investments over the thirteen-year partnership. Vice Chair Hoffman states that this is great information and that he doesn’t think the information has ever made it to the board table. Member Powell states that if the Board had a presentation that laid out the information versus receiving it anecdotally that the board would know what’s happening and they can make more informed decisions about moving forward. Member Price states that he would love a presentation about what Nicholson would like to see; what’s the ROI and what’s the end result? Pat extends the invitation to everyone that the terminal is always open to them and that he will take them on a tour. Travis states that communication between Nicholson and the Port needs to get better and Nicholson must let the Port know of issues and creating a better dialogue among the group that emergency meetings will not be needed. Chairman James proposes that we should have bi-monthly meetings prior to board meetings so that the items discussed between the group can be brought up during the board meeting. Member Powell states that the board needs to tour the Terminal and Dock as soon as possible. Member Price mentions that we need to tour the terminal as soon as possible to start talking about investments next year. Member Price ask has the Port regularly met with Nicholson about the Dock and Terminal. Executive Director answers that we have not but we have had regular meeting with the stakeholders, but operational needs were rarely discussed. Member Price suggest that the meetings with Nicholson should be monthly. Travis ask Pat if Nicholson is against the Ports legislation? Pat answers that they have some reservations about it since they haven’t seen any significant investment in the Detroit dock and that the strategic plan had the Port investing in other areas and supporting their competition. Executive Director states that this was due to a strategies plan Rep. Hernandez asked for and that he adapted the former Executive Directors operational assessment and that it is completely necessary to invest in the dock that Nicholson is operating and that he hopes both could be done in conjunction and that he thinks we can work together to alleviate the issues. Member Kinloch states that due to the Ports budget we must become self-sustained due to budget cuts and that the legislation will allow for us to raise capital to invest in facilities that we own and that more projects will allow us to make money in the long term.

Chairman James move on to financial/audit report. Travis ask if we should do the audit report first, Chairman James agrees.

Audit Report

Mike Nicholas gives all members a copy of the audit summary and states that it has been completed and that they will issue clean opinions on the financial statements. Mike states the records and information they requested was available and they received full cooperation from management. Mike states that because the organization has programs that receive federal funding that the audit was conducted under the auspices of Government auditing standards and the requirements of the uniform guidance. Mike state that this means that they consider the Authority's internal controls over financial reporting in order to determine their auditing procedures so that they can express their opinion on the financial statements. Mike states that they also consider internal control over compliance with requirements that could have a direct and material effect on major federal program so that they could express their opinion on compliance. Mike states that the significant accounting polices and practices used by the Authority are described in Note A to the financial statements, there are no estimates that they considered to be significantly sensitive that affect the Authority’s financial statements, there are no disclosure that they considered to be significantly sensitive that affect the Authority’s financial statements, there are no situations involving the
adoption of, or a change in, accounting principles where the application of alternative generally accepted methods of applying an accounting principle, would have a material effect on the Authority’s financial statements, there are no material, corrected misstatements that we brought to the attention of management and there are no unrecorded, misstatements. Mike states that there are no disagreements with management on financial and/or reporting matters and auditing procedures that, if not satisfactory resolved, would cause a modification of our auditor’s report, and that they are not aware of any consultations about accounting or auditing matters between management and other independent accountants, that prior to them being retained as the auditor for the current fiscal year, there were no major accounting or other issues of concern that they discussed with management, that there are no significant issues they discussed with management, there are no significant difficulties encountered during the audit, they will request certain required representations from management before issuing their auditors report, and that there was no discussion with management concerning alternative accounting treatments. Mike states that assets have decreased by roughly $500,000.00 from $25,495,000 September 30 2016 to $24,948,400.00 as of September 30 2017 due to capital asset depreciation. Mike states that the net position or equity of the organization has decreased by roughly $500,000.00 from $22,202,100.00 to $21,710,700.00 due to decrease in net investment in capital assets. Mike states that revenue decreased from 2.2 million in fiscal year 2016 to 1.6 million in fiscal year 2016 due to decrease in contract and grant revenue from Port Security grant. Mike states that is an overall increase in expenses in loses from 1.9 million in fiscal year 2016 to 2.1 million in fiscal year 2017 due to site reclamation and redevelopment. Mike states that there are no errors that are considered material weakness or significant defiantly. Mikes ask for any questions? Vice Chair Hoffman ask about the name change of the organization, Mike answers that both names are still used and registered, and the name will be changed for the next go around and that they are the same organization. Vice Chair Hoffman asks if accountants needed to be changed every several years? Mike states that no provision requires the rotation of auditors and that the decision belongs to9 the organization making the decision, unless the disbursement is over a certain dollar amount then the process would have to go to bid. Mike states that they rotate individuals conducting audit to keep fresh eyes on the audit. Vice Chair Hoffman ask about the assets, including the building and ask about the continually depreciation even though the value seems to be increasing based on development in area. Mike explain that its based-on building cost and depreciation over time. Chairman James ask if there are any other questions for Mike?

Upon motion duly made by Member Price, seconded by Secretary-Treasurer Powell, approval of the audit report carried unanimously.

**Finance Report**

The Finance Director reported on 6-month budget versus actual. Finance director states that numbers are from March and that the Port has brought in $352,000.00 in funding, $150,000.00 from State of Michigan, $125,000.00 from Wayne County, and then other money from event rentals and rental properties, Finance Director states that he received check from City of Detroit at the end of the month and improved funding from City of Detroit. Finance Director states Continental revenue seems low because of the down season ending and that they will meet expectations by September. Finance Director state that we are on track to reach budgeted amount for revenue, and under expenses we are over on salaries and benefits which should even out. Member Powell ask
why its an overage in benefits and Salary to which Finance Director attributes to DeLoreian coming back on payroll and the full benefit package and states that we are only over budget $1,000.00 and will have to move funds to be within budget. Finance Director states that a budget adjustment was made for building expenses and that he is waiting to figure out where the Port is at concerning building issues such as sewage pump and bad phone lines in the building. Member Kinloch ask how much money is in the reserves? Finance Director states that the Port had to operate on reserves, so he is not sure how much is left in the reserves. Vice Chair Hoffman ask how much was the City check that we just received? Finance Director states that its $243,000.00, a $6,000.00 cut and that its not as big of a cut that could’ve happened and that we will probably have a funding cut from the County. Vice Chair Hoffman ask about Continental reimbursing the Port for the audit? Executive Director states that continental was not responsible since the payment difference didn’t meet the threshold. Chairman James ask if there are any additional questions for the Finance Director?

Upon motion duly made by Member Kinloch, and seconded by Member Price, approval of the finance report carried unanimously.

**Executive Director Employment Agreement**

states that he sent out all the proposal to board members and recommend sticking with continental catering based on the proposals he received because they exceed the minimum income requirement and are the only ones to guarantee vessel docking.

**Member Kinloch makes a motion to adoption the contract recommendation by the Chair for the Executive Director**, Member Price moves to discussion and states that’s 2 months for every year of service is to much compensation in the event that Executive Director is fired without cause. Member Kinloch states that without a retirement plan for employees to invest in that a 2-month severance is appropriate. Member Price states that if the contract was acceptable for Mr. Loftus and Mr. Jamian that it should be acceptable for Kyle. Chairman James states that the motion doesn’t have to be unanimous. Executive Director ask for clarification when the start date on the agreement should be, Member Price states that August 1 2017 is acceptable. **Member Kinloch makes a motion to approve Executive Director contract recommended changes that have been stated,** Vice Chair Hoffman supported the motion. Chairman James said a motion has been made and seconded, and without further question would call for a vote. A vote was taken, and the motion passed unanimously and approved.

**OLD BUSINESS**

Vice Chair Hoffman mentions Suite Locks and for the staff to find ways for the Port to be involved. Executive Director states that the Port has been involved in various efforts and coalitions surrounding the Locks. Vice Chair Hoffman ask that the staff keeps their eyes open on the potential aquarium being built next door.
NEW BUSINESS

Resolution Honoring the Service of Alisha Bell - Upon motion duly made by Member Kinloch, and seconded by Vice Chair Hoffman, the following resolution was adopted unanimously:

Now therefore be resolved that the Board of Directors of the Detroit/Wayne County Port Authority formally recognizes the service of Alisha Bell and the benefit of such service to the Detroit/Wayne County Port Authority and the maritime community of southeast Michigan.

Rick Preuss introduces himself as the business manager for IBEW Local 58 and expresses interest in having an event in the facility. Mr. Preuss states that they are located half a mile for the Port and would like to host an event here and possibly look at converting the Port to a zero net energy facility.

Chairman James states that this is his last Port Authority meeting as a board member and that he is sad to leave the board, that his father has been the past chair and his uncle. Chairman James thanks Vice Chair Hoffman for his support and encouragement over the years. Chairman James states that his father and business need him more than ever now and that he has had a discussion with the Mayor about it. Chairman James thanks the staff, and board members and wishes for the continued advancement of the Port.

Vice Chair Hoffman made a motion for a resolution of appreciation, similar to that done for Alisha Bell, for Chairman James’ service as a board member and chairman of the board. Member Kinloch supported the motion. The motion passed unanimously.

Executive Director reaffirmed that the next board meeting will be in July.

Chairman James thanked everyone for their time.

ADJOURNMENT

Chairman James makes to motion to adjourn, Member Powell seconded the motion. Chairman James said a motion has been made and seconded, and without further question would call for a vote. A vote was taken, and the motion passed unanimously and approved. The meeting was adjourned at 11:37 AM.