

City of Corunna  
Regular Council Meeting  
Tuesday, January 19, 2010

Present: Mehigh, Jessen, Reichert, Johnson, Haskins, Sarrazin.

Absent: None.

Guests: Joe Sawyer, City Manager; Merilee Lawson, Assessor/Planner; Tim Crawford, Superintendent of Public Works; Brian White; Gary Granger; Paul Smith, Odyssey of the Mind; Helen Granger, The Independent; and other concerned citizens.

The meeting was called to order in the lower level of the McCurdy Park Community Center by Mayor Kerridge at 7:00 p.m.

MINUTES OF THE PREVIOUS REGULAR MEETING: Johnson moved, Jessen seconded to approve the previous regular meeting minutes dated December 21, 2009 as presented.

Roll call vote:

Yes: Jessen, Reichert, Johnson, Haskins, Sarrazin, Mehigh.

No: None.

Motion CARRIED

AGENDA APPROVAL: Johnson moved, Sarrazin seconded to approve the agenda with the following additions: Item No. 7) Consider Appointment of Brian White to the Corunna Planning Commission and Item No. 8) Discussion on Dam.

Roll call vote:

Yes: Reichert, Johnson, Haskins, Sarrazin, Mehigh, Jessen.

No: None.

Motion CARRIED

APPROVAL OF VENDOR DISBURSEMENTS: Jessen moved, Johnson seconded to approve the vendor disbursements dated December 23, 2009 as presented.

Roll call vote:

Yes: Johnson, Haskins, Sarrazin, Mehigh, Jessen, Reichert.

No: None.

Motion CARRIED

Johnson moved, Jessen seconded to approve the vendor disbursements dated January 8, 2010 as presented.

Yes: Haskins, Sarrazin, Mehigh, Jessen, Reichert, Johnson.

No: None.

Motion CARRIED

PRESENTATION – ODYSSEY OF THE MIND: Paul Smith from Odyssey of the Mind presented the city with a check for \$710 from the proceeds of McCurdy's Revenge.

CONSIDER APPOINTMENT OF STACIE JACKSON TO THE CORUNNA YOUTH SPORTS & RECREATION COMMISSION: Johnson moved, Jessen seconded to appoint Stacie Jackson to the Corunna Youth Sports & Recreation Commission for an indefinite term and serving at the pleasure of the council.

Roll call vote:

Yes: Haskins, Sarrazin, Mehigh, Jessen, Reichert, Johnson.

No: None.

Motion CARRIED

CONSIDER CITY OF CORUNNA INVESTMENT POLICY RESOLUTION NO. 011910-01:  
Sarrazin moved, Johnson seconded to approve the following City of Corunna Investment Policy Resolution No. 011910-01:

**City of Corunna Investment Policy  
Resolution No. 011910-01**

I. Governing Authority

**(i) Purpose**

It is the policy of the City of Corunna to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the City and comply with all state statutes and local statutes governing the investment of public funds.

II. Scope

This investment policy applies to all financial assets of the City of Corunna, excluding the investment of employees' retirement funds. These assets are accounted for in the various funds of the City and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Trust and Agency Funds
- Debt Service Funds
- Any new fund created by the legislative body

III. General Objectives

The primary objectives, in priority order, of the City of Corunna's investment activities shall be safety, liquidity, and yield:

1. *Safety*

Safety of principal is the foremost objective of the investment program. Investments of the City of Corunna shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

2. *Liquidity*

The City's investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. *Yield*

The City of Corunna's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.

- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

#### 4. *Local Considerations*

***Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State. The City of Corunna may accept a proposal from an eligible institution which provides for a reduced rate of interest provided that such institution documents the use of deposited funds for community development projects.***

### IV. Standards of Care

#### 1. *Prudence*

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence. Discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Corunna.

#### 3. *Delegation of Authority*

Authority to manage the investment program is granted to the City Clerk/Treasurer and derived from the following: City Treasurer per MCL 87.11. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible

for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## V. Authorized Financial Institutions, Depositories, and Broker/Dealers

### 1. *Authorized Financial Institutions, Depositories, and Broker/Dealers*

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the [entity's] investment policy.
- Evidence of adequate insurance coverage.

### 2. *Minority and Community Financial Institutions*

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. These types of investment purchases should be approved by the appropriate legislative or governing body in advance.

## Safekeeping and Custody

### 1. *Delivery vs. Payment*

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

### 2. *Safekeeping*

Securities will be held by a [centralized] independent third-party custodian selected by the entity as evidenced by safekeeping receipts in the City of Corunna's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

### 3. *Internal Controls*

The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Corunna are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures or alternatively, compliance should be assured through the City's annual independent audit.

## VII. Suitable and Authorized Investments

### 1. *Investment Types*

Consistent with the State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions,
- Bankers' acceptances;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority.

## *2. Collateralization*

Where allowed by state law, full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

## VIII. Investment Parameters

### *1. Diversification*

It is the policy of the City of Corunna to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City of Corunna's funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

For cash management funds:

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.
- The investment committee/investment officer shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct a quarterly review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

## IX. Reporting

### *1. Methods*

The investment officer shall prepare an investment report monthly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the month. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the entity's chief administrative officer, the legislative body, the investment committee and any pool participants. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date.
- Percentage of the total portfolio which each type of investment represents.

## *2. Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

## *3. Marking to Market*

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State

and Local Government Investment Portfolios and Investment Pools." (See GFOA Recommended Practices in Appendix.) In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

## **X. Policy Considerations**

### *1. Exemption*

**Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.**

### *2. Amendments*

This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

Approval of Investment Policy

The investment policy shall be formally approved and adopted by the governing body of the City of Corunna and reviewed annually.

Roll call vote:

Yes: Jessen, Johnson, Reichert, Mehigh, Sarrazin, Haskins.

No: None.

Motion CARRIED

CONSIDER MICHIGAN MUNICIPAL LEAGUE MEMBERSHIP RENEWAL: Johnson moved, Jessen seconded to approve the Michigan Municipal League membership renewal in the amount of \$2,485.

Roll call vote:

Yes: Reichert, Jessen, Sarrazin, Haskins, Mehigh, Johnson.

No: None.

Motion CARRIED

CONSIDER APPOINTMENT OF EDWARD COMPTON TO THE CORUNNA SOFTBALL COMMISSION: Johnson moved, Reichert seconded to appoint Edward Compton to the Corunna Softball Commission for an indefinite term and serving at the pleasure of the council.

Roll call vote:

Yes: Johnson, Reichert, Mehigh, Jessen, Haskins, Sarrazin.

No: None.

Motion CARRIED

CONSIDER PURCHASE OF 2011 POCKET CALENDARS: Mr. Sawyer explained the cost has been going up every year and he is recommending against purchasing the calendars. Councilperson Jessen advised there are other companies who make them. Sarrazin moved to approve the purchase of 2011 pocket calendars. There was no second so the motion died due to lack of support.

DISCUSSION ON COMMUNITY CENTER/CASINO IMPROVEMENTS: Mr. Sawyer gave council an update on the community center/casino improvements. At some point, council will have to make a decision on whether they will approve future advances. He advised he has been asked what the plan is and there is no plan without getting some guidance from council. The city is not budgeting money for improvements at this time due to the economy. He has no recommendations for a plan because there is no budget. He further advised he is sure council will continue to accept donations as they come in. The fundraising and DDA match have been tremendous. Councilperson Jessen asked if the city has less money now than it did when the project started because of less revenue sharing. Mr. Sawyer advised yes. Councilperson Sarrazin asked if the construction that was started has been completed. Mr. Sawyer advised yes, there is about \$100 left if the amount council authorized. Councilperson

Jessen suggested using that money to hook up the outside light. Mr. Sawyer advised it was disconnected when the foam insulation was installed. Mayor Kerridge stated people are asking him why the building is not being rented and he tells them the work is not done. Mr. Sawyer stated the committee committed to raising \$50,000 and he would like to know what plans they have for the future. He believes the committee will continue with their fundraising efforts and will have another calendar fundraiser. Councilperson Jessen stated if the committee should come back to council with an advance request he would not hesitate to front them the money because of the way the first advance has been paid back.

#### CONSIDER APPOINTMENT OF BRIAN WHITE TO THE CORUNNA PLANNING

COMMISSION: Johnson moved, Reichert seconded to appoint Brian White to the Corunna Planning Commission with term to expire December 31, 2010 and serving at the pleasure of the council.

Roll call vote:

Yes: Sarrazin, Mehig, Jessen, Johnson, Reichert, Haskins.

No: None.

Motion CARRIED

DISCUSSION ON DAM: Mr. Sawyer advised the condition of the dam is the same as it was in 1974 as evidenced by the letter the city received during the time William Milliken was governor, which was addressed to Tom Lennox who was city manager at that time. Mr. Sawyer further advised the city received a letter from the state ordering the city to immediately draw down the impoundment behind the dam. He does not know if a draw down is possible during this season since the water is frozen. He also advised the city is suppose to submit a plan by January 15 of how the city intends to address the dam deficiencies and implement the approved plan and schedule. He asked council for some guidance on whether he should follow the instructions in the letter the city received from the DEQ or if he should take other action. Councilperson Jessen asked if there was grant money available. Ms. Lawson advised maybe \$200,000. Mr. Sawyer advised there are some programs available through the Corp of Engineers. He has been working with a representative from Carl Levin's office who referred him to the Corp of Engineers. He further advised the city has been following the DEQ instructions that were listed in their 1974 letter that recommended letting the dam deteriorate naturally, but now, it is not good enough. Councilperson Sarrazin stated he is upset that this is being taken lightly because this is serious and should not be ignored because the state can force their hand. Mr. Sawyer stated should the city do as they say or should it go to court against them. Councilperson Sarrazin asked why the letter was not brought up at the December 21<sup>st</sup> council meeting. Mr. Sawyer advised he does not recall having the letter prior to that council meeting. Councilperson Sarrazin stated he does not know if we should consult with the city attorney and engineer, but agreed that the city should send a copy of the 1974 letter with a letter asking what geologically changed to make the dam significant from insignificant. He further stated he does not think the city should ignore the letter. Ms. Lawson stated she recalls receiving one of these letters five or six years ago and the recommendation from council at that time was to do nothing because there was money available for dam removal but not for repairs. The city formed a dam committee, but within one year, the money was gone and the city heard nothing more from the state. Mr. Sawyer stated if the city complies with drawing down the dam, it will not be allowed to be drawn

back up again. Ms. Lawson stated she wonders if other communities were sent a letter because there are a lot of them that have the same situation. Councilperson Sarrazin stated when Flint's dam was in dire need of repairing, it was funded because there would be significant loss of property below the dam. He is sure this is political in an effort to get the river opened up to Holly. Mr. Sawyer stated he thought the chance of getting a grant is slim to none. Ms. Lawson stated the fishery division has grant money available, which she applied for two years ago, but she was told the most that they fund is \$200,000. Chesaning got a \$950,000 grant which was a pork barrel appropriation that Senator Kahn got added on to an appropriation bill that was approved by the legislature. Once it was appropriated, the money had to be found so they went to the fishery division who was told they had to appropriate the money. Councilperson Sarrazin stated the burning question is whether the city should draft a letter asking the state what geologically changed or if the city attorney should be contacted. Ms. Lawson advised she would send a letter to the DEQ and enclose a copy of their letter from 1974. Mr. Sawyer stated if the position of council is to allow the dam to deteriorate over time based on the 1974 letter then it should take that position from a defensive posture. If it is council's desire to bond, borrow money or pass a millage then that is a different issue. He further stated he is not going to be able to get donations or volunteers to fix this problem. Ms. Lawson stated before talking to an attorney, she would refer this issue to the city's state senator and representative. Mr. Sawyer stated this is political and sometimes elected officials can help a lot more than the hired guns at city hall can. He asked if there is a desire to save the dam. Councilperson Sarrazin advised the river is one of the only navigable waterways in Shiawassee County and is a valuable asset. If the DEQ wants these rivers opened up then they need to put some money out there. Sarrazin moved, Mehig seconded to instruct the city manager to draft a response to the December 4, 2009 letter and include the original DNR dam determination letter from 1974 and simply state to them that it is the city's position that nothing geologically has changed from the 1974 determination.

Roll call vote:

Yes: Reichert, Mehig, Sarrazin, Haskins, Johnson, Jessen.

No: None.

Motion CARRIED

CALL TO AUDIENCE: Merilee Lawson stated the planning commission meeting is next Wednesday and Phil Hathaway will be attending to give the commission a presentation on how to put ordinances in place for wind power. Mr. Hathaway has written several ordinances and she felt this would be a good starting point for the planning commission.

Helen Granger stated she was impressed with the organization for repairing the sled hill. The way the community responded is a true testament of volunteerism. There were also people from outside the city that came to help.

ROUNDTABLE DISCUSSION: Councilperson Reichert stated a gentleman at the last meeting advised the light on the flag in the park was not working and asked if it had been fixed. Councilperson Jessen stated after the council meeting he went by the park and there was a light on the flag. Mr. Sawyer advised he was told it had been vandalized two weeks before and had been repaired a day or two before the meeting. It appears the gentleman drove by the

day it was not working. Mr. Crawford advised the light is getting old and is becoming un-repairable. Councilperson Reichert advised it was incredible to get the sled hill repaired and he thanked everyone who organized it. It was amazing to see the number of young people getting involved.

Councilperson Haskins advised the civil air patrol membership is up to 31 members. There are two pilots certified to fly civil air patrol aircraft and it is moving along nicely.

Councilperson Sarrazin advised the organization for repairing the sled hill was great.

Councilperson Johnson advised she had nothing to discuss.

Councilperson Jessen advised he was impressed with the turnout at the sled hill.

Councilperson Mehig advised the ambulance service should receive its new ambulance in one to two weeks.

Mayor Kerridge stated the city has been invited to the chamber dinner at the Comstock Inn and it is very expensive so he is recommending against attending the dinner this year. He thanked everyone for their participation at the sled hill. The support was overwhelming and he hopes the person who did the vandalism is caught.

ADJOURN: Jessen moved, Johnson seconded to adjourn.

Roll call vote:

Yes: Johnson, Haskins, Jessen, Sarrazin, Reichert, Mehig.

No: None.

Motion CARRIED Time was 8:12 p.m.

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Charles Kerridge, Mayor

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Nichole L. Cowdrey, City Clerk/Treasurer