



PUBLIC LIGHTING AUTHORITY
Board of Directors Meeting
February 21, 2018

MINUTES

Board Members in Attendance:

Dr. Lorna Thomas, Chair
Donnell White, Vice Chair
Rod Parker, Treasurer
David W. Jones, At Large
Beau Taylor, Executive Director

Resolution:

Motions Carried/Failed:

Board Member in Attendance via Teleconference

Patrick Padgett, Secretary

Legal Representative(s)

George Pitchford

CALL TO ORDER

The Board Meeting of the Public Lighting Authority (PLA) was held February 21, 2018 at the PLA, 65 Cadillac Square, Suite 3100, Detroit, MI 48226. Dr. Lorna Thomas, Chair of the Board, called the first meeting of 2018 to order at 5:10 p.m.

ROLL CALL

Roll call was taken by Patrick Padgett, Secretary (via teleconference) and members in attendance included: Dr. Lorna Thomas, Chair; Donnell White, Rod Parker, Treasurer; David W. Jones, At Large, Beau Taylor, Executive Director and George Pitchford (Legal Counsel). Meeting began at 5:10 p.m.

AGENDA AMENDED

Dr. Thomas moved to amend the agenda at 5:12 p.m. Item VI - Action Items should be labeled Information Items. Dr. Thomas stated there will be action required and proposed to do so by 5 minute conference call next week

APPROVE AMENDED AGENDA

Motion made to approve the Amended Agenda by: David Jones
Motion seconded by: Rod Parker
Motion Carried

APPROVE MINUTES

Motion made to approve October 21, 2017 minutes by: Rod Parker

Motion seconded by: Donnell White

Vote called – Motion carried.

Opposed by Patrick Padgett

Discussion Item(s)

a. Executive Director Report

Beau Taylor starts by welcoming Marie Brown as Chief Administrative Officer. She's been on board since the beginning of November. She has 28 years as a City of Detroit Employee, 11 years at the Public Lighting Department. Beau stated if the board needs any assistance, or cannot reach him directly, please call Marie. She'll be a welcome addition to the team.

Beau mentions PLA is doing well in terms of maintenance, and brings the Board's attention to our Weekly Metric that he passed out upon completion – that we track every week. Year to Date, PLA is doing very well financially, if you look at the budget to actual were below our budget figure moving forward in every category so we're staying under budget. How are we able to do that? When I came here we just started with the new contractor and I noticed was all the jobs in the service requests were going directly to the contractor. They were then going out to do the job assessment, doing the repair and then billing us for it. I thought it would be a good idea if we got eyes on the job before we sent them out so we would have a gauge of whether the costs were in line on the back end and then go out and check to make sure the job was done according to specifications. So, we've been able to save some money there. In addition, we were finding a lot of the jobs they're going out on, were in fact not a repair - no repair was needed. A citizen would call 10 minutes before the lights were scheduled to come on and they would tell us the light was out. We would send a contractor out and would have to pay the contractor for that job, even though the light was already on. So we're trying to address a lot of the complaints and save money there.

Another area of savings Beau mentioned was in after-hours calls. Calls of knockdowns would come into the call center and a crew would immediately be dispatched. Whereas now, under a mutual aid agreement in place through DTE and PLD, the first crew on scene makes the area safe – meaning the pole is placed on the side of the road and it is picked up the next day. There's a pretty big cost associated with sending out a crew in the middle of the night, and we have been able to reduce that expense. In addition, we get calls sometime in the middle of the night to report an outage, we send our crews out ahead of time to pre-flight the job to discern whether a crew is actually necessary. After the work is done, we send one of our internal crews to quality check the job. If the job is not done to specifications, we redeploy the contractor to finish the job at their own expense. If we did not do that, we would have to incur additional expense to repair the same problem.

Initially, we put these controls in place and it was a learning curve with the contractor. Anytime one expects more, you get a little push back and it took some time to overcome in terms of operations, but I do think we're now in a good place with them; communication has improved they're responsive and presenting themselves in the field in a way we can be proud of. I do think we need to keep a close eye on their financial health, I think that with every start-up business that isn't established over the years with a customer base there's challenges to maintaining a financial well-being. We're working with them when they have those issues. We're committed to turning

over invoices in a very quick period of time, so immediately after we can validate the work is done, we can assist them by speeding up the invoice process. And if we get to a point where there are payments they need to make, we're working with them to ensure that it doesn't reflect poorly on us. From a contractor's standpoint, we're improving – there's still a way to go, but if you look at potential contractors, we will be working with very large businesses that are established, and one thing I think was a very good decision was bringing on a Detroit Based Contractor that needed that extra push. We are establishing a presence here and assisting minority based company that we are helping to stand up. If it works, 5 -10 years from now we'll be looked at as the means by which they were able to establish themselves. So it's worth the extra effort, I believe it was the intent of the legislation when they passed the Best Value language within that legislation and we're following it to the intent. So I think we're doing a good job in that arena.

We do have one issue that came up and it's the Improve Detroit Application which the City uses to report outages, and they have a different work order system than ours. And integrating our system with their system so we're able to meet the expectations of the City has been a challenge. I think we're supposed to have lights repaired within 5 days – and lights were being misclassified. We weren't taking into consideration the weather days. If you take a look at the month of January 40% of all work days were called off because of union regulations around working in inclement weather. Internally, we weren't doing a very good job of classifying these jobs properly and closing them out on time. We have taken care of the backlog; thought there's a lagging indicator out there for the month of January that will reflect potentially poor performance so if we do have feed negative feedback from the city we do need to explain why that took place.

We are integrating our operations with other city departments. We meet weekly with the Operations Team, so if there's anything we need to do to help them, or if they need to do to help us, we're all communicating very well. Sometimes, they may need a light removed for a redevelopment project, or construction, we can do that. So the relationship with the City is continuing to improve. We're also assisting with future development projects in the City, contingent upon funding of the projects, so they are doing a lot of streetscape and neighborhood revitalization projects – and to the extent that they can provide funding for those projects we'll be there on the back end, and make sure they are integrated in with the lighting plan.

We are helping with Project Greenlight. We have night surveyors that verify if a light is out or on, and identify lights that are not reported. Also with project Greenlight, verify lighting requirements in potential Project Greenlight locations. Just an assist with the city where they don't have capacity. So, since we have the proper meter that can read foot candles as well as people that understand lighting will go out and verify lighting requirements for potential locations. And we'll also in the corridor in Greektown; they have LED lights that read the "Greektown Corridor". We work with the City to install them on the lighting poles. We're the only ones that understand the lighting system, and I did not want third parties accessing the electricity the wires, the poles – it's of minimal cost, but it's of great benefit to the City.

Beau then passed around the weekly Metric- similar to the City reviewed at staff meeting every Monday morning - similar to how the Mayor tracks Department Metrics and began with each division sheet. The report tracks all the calls that come in, all Work Orders issued, tells us where the contractor may need some motivation to improve their response time, as well as community engagement and finance. Beau then explained on the Finance sheet – Unbilled Liabilities, which is total cost for all work orders outstanding that have not been completed in the field.

Mr. Jones asked (with regard to the Metric) who is responsible for what? Are goals indicated or just what was done that week?

Beau answered saying this is essentially productivity for the previous week.

Dr. Thomas directed the group to knockdowns, and stated this has been an ongoing problem with us from day one, and is not getting better. She also mentioned that the Metrics are available to all Board members, and if they would like to receive a report, please contact Marie.

Beau then mentioned that we're working to mitigate the cost associated with knockdowns by leveraging other entities that are making it safe at night. If the car that hit the pole is insured, then we can go after the insurance company and file a claim. We're working with the Police Department, PLD and our attorneys to track down the insurance information from the police reports.

Mr. Jones asked how successful is that?

Beau answered we just started trying, so we haven't gone through a full cycle. However, if you look at the percentage of Detroiters that are insured, that's an indication of how successful you will be. He stated there a lot of non-Detroiters that are hitting poles on their way out of town.

George Pitchford stated ALG is working on obtaining police reports and was surprised by the percentage of those with insurance. Now in second phase – to go through to legitimize those whose policies are/not up to date. Secondly, he mentioned he was surprised by the number of knockdowns caused by non-Detroiters. That number was at or more than 50%. Just the first batch, and cannot make any conclusions from it.

Mr. Jones asked about the percentage of the number of knockdowns reported?

George Pitchford said he could not answer that question. The only ones he has are the ones that were reported on. They're not going to push up to him the number that the police just show up and the pole is down. He doesn't have a denominator to work with on that but at least initially; we have over 15 reports for a 1 month period. So we're looking at it from a standpoint of something is better than nothing, especially once we have the process down. Because collecting from the insurance company should not be that difficult, as the statute is very clear with No Fault that property damaged is covered by the driver's insurance company. So we anticipate that it should be a letter to the insurance company with the cost attached to it and should be reimbursed.

Mr. White asked what is the cost of a knockdown?

Beau answered –. To make safe anywhere from \$600 - \$1000 the associated repair costs can run up to \$5000 - \$6000 depending on the type of pole. If it requires a cement base, it drives the cost significantly higher, because you have to revisit the site 2-3 times. A metal pole is more expensive than a wood pole, and a 400 watt luminaire is more expensive than a 50 watt luminaire. It would be nothing less than \$2000.

Beau finished up by mentioning we have enough room to add a tree trimming crew to deal with locations where trees are impeding the light, which are a significant number. It should be on staff in the next couple of weeks and can be cancelled at any time, as long as we're under our budget cap.

Dr. Thomas added: In some cases, many years since some of the neighborhoods had any tree trimming at all, in some cases the light was installed at a different height than what was our standard because the foliage was so dense they couldn't get there to install the light. So, in some blocks we have this very uneven array of lights, which we would really like to correct.

Beau proceeds to wrap up the Metric.

Mr. White asks what is the current Work Order backlog?

Ben Barker answers by saying there are a total of 166 work orders on backlog, plus an additional 50 that are on hold for third party issues such as needs a foundation; a luminaire; 216 total, which equals 557 total number of our assets out.

Beau explains we'll take care of the more immediate issues. A lot of the backlog is weather related, such as pouring cement in winter. A company can pour Quick Crete with it but it doesn't give the solid cement needed for a foundation. So we cut out that individual light, meaning the rest of the circuit will still work, so adjacent light will be on, and will be left until spring when a solid foundation can be poured. Beau admitted we need to work on elimination of the backlog - creating construction crews (more complicated)

Mr. Jones asks is it reasonable to have a goal (regarding work orders) that one is resolved within a 1 week period of time, or is more reasonable that it takes a couple of weeks to resolve?

Beau explains it depends on what the issue is. If it's a simple light out we classify that as a LO meaning the luminaire is not functioning. This needs to be done in a week. I believe our expectation is 7 days on that. If a light is out and all it requires is a span or luminaire, that should not take more than 2 weeks at most, even with extenuating circumstances. If it's a construction issue it goes into a Major Repairs classification - we do not have a goal for that due to many variables involved. It may be an entire construction project. Likewise pole downs; in the past, we were not closing out the work order until the cement was set and the new pole was in place. What we're doing now is tracking when the pole is picked up, because that's blight, it gets in the way of pedestrians/vehicles. We got a list of backlogged poles together, got with the contractor and basically said get all of the poles picked up within the next two weeks, which they did a very good job of eliminating that portion of the backlog.

Mr. Jones asks you're tracking using a metric, but is there a goal or percentage number that's targeted to be completed within that week?

Beau answers by saying not specifically.

Mr. Jones then gives a little advice. When he worked for Mayor Duggan, we had metrics and had to track what your metric was, but he wanted to know how many were solved. Mr. Jones further states, it's nice to talk about the number, but it's known that the Mayor is a results person. Mr. Jones suggested whatever is reasonable to pick a number or percentage of ones issued and resolved to really hold people accountable.

Beau responded by directing all present to State Line Construction Report Card page - this is close as we get to it. What we hold our contractors accountable for. He mentioned what he learned from the Mayor was to make yours realistic and adjust accordingly, which he admits we need to take a second look and take into account some of the variables mentioned by Mr. Jones.

He agrees and thanks Mr. Jones – we as an organization needs to hold ourselves internally accountable to the data on page 1 as well as holding our contractor accountable.

Dr. Thomas added when she looked to see how many things we weren't able to complete, during this past reporting month, it made her understand how really lucky we were to have nice winters during the 3 years we built the lighting system.

Beau added one thing we need to keep in mind when we look at financial strength of our contractor is during these weather days, they're on units. If they were on Time and Expense, we would be paying the 2 hour "show up". Their crews have to show up every morning and get paid, if work is called due to weather. The contractor has to absorb that cost. Likewise, when it's 10 degrees outside and they technically can go out, they deploy those crews, but they cannot complete enough units to cover their costs in those conditions. What generally happens is a contractor will make all their money in the months of May-November; and that will "pad" them through the lean part of the year. Stateline started in August, so we really see how this will play out over the next 4-5 months to get a true gauge of performance. Beau states he does not admire the position they are in.

Dr. Thomas added that Ben is tracking that very carefully, they spoke earlier and Ben is working on another set of numbers in a couple of months, once the weather breaks to see what is going on.

Ben Barker added since 11/1/17, the total number of times a crew was not deployed for after-hours was 52; saving us \$52 - \$78 thousand depending upon the number of units.

Mr. White recommended it is important that we have a plan that we are working toward to eliminate that backlog. If we're ever called to question on where we are or why we have the backlog we would be well suited to deal with it. Mr. White also mentioned there was something said about the outages and the deploying our resources to discover, and was not sure if we are doing it, he recommends to develop some strategic community collaborations with neighborhood associations, neighborhood patrols, and even DPD's NPO's to verify some issues particularly in the night when we don't have staff out.

Beau answers we do have 2 facilitators on call that go out preempting the contractor call. So, there is pretty good coverage at night. We also have out night surveyors who survey, but as calls come in, they go to those locations as well. Beau agrees with Mr. White by saying that the more we engage with the public, and make them understand what we're doing, it helps us as well.

Dr. Thomas then directs all to Page 3 – summary of PLA Community Engagement. Very important to keep a good working relationship with the neighborhoods.

Dr. Thomas also mentions that Mr. White is also one of several candidates running for the congressional seat vacated by John Conyers, and wishes him luck.

Mr. White left meeting at 5:45 p.m.

Mr. Padgett asks if union rules includes if the site needs to be made safe?

Beau answers that does not apply if a public safety issue. He believes the contractor has to pay a crew double time but has not broached it with the contractor, because it's not our cost.

Mr. Padgett asks about streetscape projects. Any requests for those engaged in the streetscape work in various locations?

Dr. Thomas answers by saying we are meeting on Friday (2/23/18) at 1:00 p.m.

Beau states their still in their conceptual phase.

Mr. Padgett asks are they asking for upgrades for the poles?

Dr. Thomas states we do not know what they are asking.

Mr. Jones asks about interaction with City departments. Have you had any/much interaction with City Council?

Beau answers he's had individual meetings with Mary Sheffield, Raquel Castaneda Lopez, Scott Benson, Andre Spivey, and James Tate. He's spoken to Brenda Jones a few times over the phone has spoken Roy McAllister briefly and is meeting him March. Overall, it's going well. He mentions he's giving them information they require.

Dr. Thomas mentioned that a lot of the friction in the past has been resolved.

Mr. White joined meeting via teleconference at 5:50 p.m.

b. Budget Forecast

Beau directed the group to 2 slides in board package. Although we have money set aside for our capital fund this year in our budget, we will continue in the near future, if we take anticipated increase in operating and maintenance costs of 10% over the next year we will reach a point in the year 2023 where our expenses and revenue meet. So the notion that we have a lot of discretionary money is not the case. The case is we're doing well right now, but we need to look to the future and plan accordingly. That's also why we're keeping an eye on every dollar we spend, regardless of whether we have an accompanying revenue source in that period of time. Also, we will be looking into some long-term financial planning in the 1st quarter of this year.

Dr. Thomas commented one of the things that is obvious is that we reconstructed an entire major city lighting system in a little less than 3 years. Since all these lights are brand new with a life span of 10-15 years, it seems that large groups of lights are going to go out at the same time. So we have to plan and make sure we have enough money, when 10 years down the road, an entire quadrant of lights in the city is out. That is what we should always keep in mind. Otherwise we end up back where the City of Detroit was when we started.

Beau states HPS (high pressure sodium) lights typically last 5 years. So what they do is divide the number of lights by 5 and replace that number every year as a continuous cycle and they will build that into their maintenance cost. So when you see this excess maintenance revenue that we have, it's reflective of us not switching out lights every year. Unless we save that money and apply it to a similar project to the one we undertook on to install the lights in the first place, we will have a city of darkness in about 10 years.

Beau introduces Mohamed Hassan to answer any questions. Beau mentions again, we're under budget in all cost centers, and our revenue is based on the number of lights we have and the initial plan was for 65,000 lights to generate revenue to get us to a point where we're billing the City a maximum of \$10.5 M/year. That was established based on a certain number of underground/overhead lights. At this point, we have more overhead lights than anticipated, so our billing to the City is actually under what we could bill the City.

Mohamed Hassan adds we have about 10,600 underground lights and we bill \$17.66/month we also have 55,000 overhead lights that we are billing \$2.62/month multiplied by 12 months, it comes to less than \$10.5 M. Then we have close to \$300,000 in reserve for tree trimming.

We have saved a lot as opposed to prior years, which will help us build on the long term replacement of lights.

Mr. Parker asks is this the original budget?

Mohamed Hassan answers yes, still the \$10.5 M. He explains the emergency and deferred maintenance amount is the difference/what we are saving, the Capital Reserve.

Mr. Parker asks if it's the same number that we passed at the beginning of the year, or are we casting it differently now? Has anything been changed?

Mohamed Hassan answers – in total. The \$10.5 M did not change. Ultimately, we will have to do an amended budget for the year, as we do every year.

Dr. Thomas asked about occupancy. Does anyone know what is the status of this building? She just heard today that Dan Gilbert bought the parking lot – not the building.

Beau stated we have sent letters to the building requesting immediate vacancy based on a number of factors, first being the lobby is 4 years past due for being upgraded, and another of other issues. They haven't been very responsive but they did send and require us to submit an Estoppel Certificate

Dr. Thomas asked a question of our attorney, if they sell the parking lot, doesn't our lease include access to parking; do we have any grounds for exiting without penalty?

George says the short answer is no. There's some exception to that, if they put something inconsistent with our current use of the building. In addition to parking, there so many things going on because now that we know the buyer, you take a closer look at that company; it may be a subsidiary or a front company for something else. The broker mentioned it would be condos or apartments, mixed use, so truthfully what is going on is he doesn't know.

Dr. Thomas mentioned that this will affect our future budget forecasting, as it's a large number for occupancy.

Beau added selling the building will determine how long we have to stay here. We've considered finding a new place, and haven't looked in earnest because of being stuck in a lease. But we're prepared to jump on that the second we're able to, because our occupancy costs far exceed our needs at this point.

George mentions that this will be the type of thing that once we know things will start happening very fast, so it's good that Beau's been out there doing the legwork now, because we could very well be in a situation where we will have 60 days or less to get out. One thing that was told to him was that this building currently has 35% occupancy. And he was told the broker has been under strict orders to not lease to anyone, do not extend any leases, do not work with anyone, do not let anyone go day to day. So they're trying to empty the building. So once all T's are crossed and all I's are dotted, they may want to completely clean out the building, then a decision will have to be made very quickly.

Beau asks the Board their thoughts on our next location?

Mr. Parker mentions there are a lot of empty bank buildings, Comerica and Chase have closed branches in the city sitting empty. They have ample parking as well as wiring technology would not be difficult.

Dr. Thomas states that being downtown is not necessary.

Mohamed adds there are a lot of empty city buildings, and to reach out to the Mayor's Office.

Beau mentions getting out of Downtown and exploring areas in the Central business district or in the neighborhoods that would spur capacity to other projects.

George adds that downtown is at capacity or not ready for immediate occupancy. Also the cost of renting downtown is through the roof as well as parking.

Mr. Parker asked about financial statements.

Mohamed says he sent them to Mr. Parker.

c. Gap Projects

Beau states the GAP projects correspond to VI Informational Items on the Agenda. These projects were residual from the Capital buildout. For a number of reasons, they were not completed due to extenuating circumstances. For example, the GSA complex there were a lot of security protocols that needed to be in place as well as Motor City was underground. Instead of issuing 1 RFP for all, we issued RFP's for each one of these with the exception of the Van Dyke Job that was a small job which we will integrate into our maintenance portfolio. We opened the RFP up to bid. Beau outlines each project, and then talks through the selection process.

Project	Awarded To	Cost
Free Bridge Lighting	LeCom	\$ 191,069.14
West Jefferson	J Ranck	\$ 88,084.00
GSA Complex	Energy Group	\$ 64,120.00
Motor City	J Ranck	\$ 80,976.00
W. Grand Blvd.	Energy Group	\$ 78,906.50
City-Wide Steel/Wood Pole Removal	Energy Group	\$ 653,401.00

Dr. Thomas asked about what was decided as to Joe Louis Arena. Does it make sense to repair the lights if they are tearing JLA down?

Mukesh states the project is west of Jefferson (the entrance to the West Riverfront Project) and does not affect JLA.

The selection process was competitively bid and what we did was first look at price, then ability to do the work (has this contractor done this type of work in the past), then we looked at capacity – there's not enough linemen in Southeast Michigan period. If a contractor had to depend on labor that they needed to find they were not selected. We looked at all contractors and they met all those criteria, so what we did was we went with low bid and if a Detroit Based Business came within 5% we gave them the advantage –PLA's Best Value determination. Awardees selected

LeCom, Energy Group, and Stateline – all Detroit Based Businesses so the majority of the work is DBB. The only 2 that will not will be the Motor City /West Jefferson because J. Ranck came in significantly lower than the rest of the contractors. Beau pointed out that the City Wide Wood and Steel Pole Removal project is predicated on finding the poles. So when we give a dollar figure, he would say the cost would be significantly lower because we gave a very high number of anticipated poles in the field to remove. The anticipated cost for these projects came in at \$1.16 M. Beau believes it will be lower than \$1 M to get them done, which was significantly lower than what we thought it would cost when we put the projects out to bid. Beau thought it would be 2-3 Million Dollars. These bids were very competitive and he is happy with the response, it will just be a matter of holding these contractors to the same account that we're holding Stateline. It's also a very good opportunity to evaluate the other DBB's that exist, in case we need additional capacity for our maintenance, we'll already know who we're dealing with, and can piggy back some additional work if we have a back log on to these contracts if we so choose.

Dr. Thomas mentions that we have funds set aside (a reserve) to do this.

Beau acknowledges Mukesh for getting the RFP together and working the contractors.

Public Comment

None

Dr. Thomas announced the resignation of Fares Abu-al Soud. He completed his Master's degree while at PLA He has taken a position as a contractor for MDOT. Dr. Thomas expressed her happiness for his move, and wishes him all the best.

Mr. Jones asked George about the lawsuit. George says it's ongoing. As of last update, PLA has been named a litigant. It is still going through the discovery stage. We did report it to the insurance company – they are (as of right now) extending coverage and supplying legal support.

Mr. Padgett with the MDOT projects, does that include the viaducts underneath or all overhead?

Beau answers all overhead above the bridge.

Mr. Padgett also asked if the VA Project is complete?

Beau answers that it is completed and looking very nice. Beau also mentions that one of the things we were requested to do was the Belle Isle entrance. That had a lot of "spaghetti" going back and forth to get the entrance lit. We identified a number of ducts underground that we could access that already existed and are in the process of burying a number of wires there.

Mukesh added the cable is in, and overhead wiring will be removed next Friday.

Beau continued that we'll be removing the wire and the entrance will look very nice.

Adjournment

A motion was made by Mr. Jones to adjourn the meeting at 6:17 pm. Motion was seconded by Rod Parker.

Motion to adjourn carried

The next Board of Directors meeting is scheduled for Wednesday, May 23, 2018