

MINUTES OF THE MEETING OF THE COMMITTEE-OF-THE-WHOLE OF THE CITY OF GROSSE POINTE WOODS HELD ON MONDAY, MARCH 6, 2017, IN THE CONFERENCE ROOM OF THE MUNICIPAL BUILDING, 20025 MACK AVENUE, GROSSE POINTE WOODS, MICHIGAN.

PRESENT: Mayor Novitke  
Council Members Bryant, Ketels, Koester, McConaghy, Shetler  
ABSENT: Granger

ALSO PRESENT: Acting City Administrator/City Clerk Hathaway  
City Attorney Berschback

Also in attendance was Mark Lachowicz, Plante Moran

Mayor Novitke called the meeting to order at 6:33 p.m.

Motion by McConaghy, seconded by Shetler, to excuse Council Member Granger from tonight's meeting.

Motion carried by the following vote:

Yes: Bryant, Ketels, Koester, McConaghy, Novitke, Shetler  
No: None  
Absent: Granger

Motion by Bryant, seconded by Shetler, that all items on tonight's agenda be received, placed on file, and taken in order of appearance.

Motion carried by the following vote:

Yes: Bryant, Ketels, Koester, McConaghy, Novitke, Shetler  
No: None  
Absent: Granger

Discussion ensued regarding **payroll tax withholding**. The Chair stated this evening's discussions regarding payroll tax withholdings are to resolve 2011 and 2012 with respect to the City reimbursing costs to employees because these tax years are closed, and 2013, 2014, 2015 since amended W2's can be prepared and if amended tax returns are filed, should the City contribute toward the cost.

Mr. Lachowicz provided an overview regarding his memo dated March 6, 2017, and the attachments. All five years payroll tax withholdings were miscalculated with respect to all or some employee health savings account, flexible spending accounts/dependent care, certain AFLAC accounts eligible to pretax, and healthcare premiums.

Tax years 2011 and 2012 are closed and non-recoverable by either the City or the employees, and the City will need to determine how to proceed with corrections. For tax years 2013-15, the employer can recover FICA money on behalf of the City and the

employees if the employee signs a consent form, which forms have been distributed to all past and present employees who are effected.

The Chair stated that there are four items to be determined:

1. How to proceed with corrective action for 2011 and 2012;
2. Cost to employees for amended tax returns for 2013-15 and determining some amount to cover cost;
3. Review letter being sent to active and former employees;
4. Additional consideration needs to be given as whether the City should pay some amount to cover employee cost to claim excess income. Q&A's referring to 2011 and 2012 regarding the City paying the additional cost for payment corrections, which is considered excess income, and taxable income.

Discussion ensued regarding Item 4 above. Mr. Lachowicz discussed the City considering covering the cost of the correction, plus a 20% gross-up (cover taxes on the correction), in addition to another 20% gross-up to cover the prior taxable gross-up, which equates to approximately 1.3%. Mr. Lachowicz will figure the actual percentage that will cover all costs. There was a consensus of the Committee that they agreed with Mr. Lachowicz's recommendation at a total cost estimated not to exceed \$37,400.00.

Discussion then ensued regarding Item 2 above. Mr. Lachowicz stated regarding 2013-15, that amounts reimbursed are included as wages and employees will need to file amended tax returns, although some employees will not want to file an amended return. Employees will not be obligated to file an amended tax return on FICA received via the City.

The Chair stated there are three considerations to pay for employee amended tax returns:

- City determines \$X to pay for an amended tax return;
- Employee submits a receipt and will be reimbursed up to \$X;
- Pay an employee up to \$75 or some combination of two above.

The Chair suggested waiting to decide on this item until after administration meets with the union and employees. Mr. Lachowicz stated there is urgency to file amended 2013 returns because they cannot be filed later than April 17, 2017; Federal returns close in three years, state closes in four years.

There was a consensus of the Committee that the City consider paying \$100.00 per year for the cost of an amended tax return, or \$300.00 for all three years, or present a receipt for consideration. Mr. Lachowicz stated \$300.00 is taxable compensation. This will be determined following administrative meetings.

There was a consensus that employees sign a release for any dollars received.

The Committee then reviewed and discussed Item 3, the letter to active and former employees. Following discussion, the letter was approved with minor changes.

The Chair requested administration to provide a spread sheet outlining all costs.

This item to remain on the Committee-of-the-Whole.

Under New Business:

- The Chair stated Plante Moran is requesting an additional \$5,000.00 for work on the tax withholding matter and that it is being presented later at tonight's Council Meeting.
- The Chair briefly discussed City Hall/Ghesquiere Park property and that research is being performed regarding a possible lot split. This item was referred to the City Attorney to obtain information and procedures.
- The Chair discussed meeting start times and suggested a new starting time for stand-alone Monday night meetings to begin at 6:30 p.m. and asked whether members would be in favor of the time change. Following discussion, stand alone meetings could start at 7 p.m.

The City Clerk was asked to check whether the current 7:30 p.m. start time for Council Meetings is required in accordance with charter or code.

- An email was received from the Knights of Columbus requesting to use the front of City Hall for purposes of fund raising. The City Attorney was asked to provide an opinion regarding whether a church-based or other organizations can use municipal property to hold fundraisers, and the City Clerk was directed to place this item on the Committee-of-the-Whole agenda on March 13, 2017.

Motion by McConaghy, seconded by Bryant, that the meeting of the Committee-of-the-Whole be adjourned at 7:39 p.m. PASSED UNANIMOUSLY.

Respectfully submitted,

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Lisa Kay Hathaway  
City Clerk

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Robert E. Novitke  
Mayor