

CONFIDENTIAL – SUBJECT TO MEDIATION PRIVILEGE

*IN RE CITY OF DETROIT, MICHIGAN***MAYOR OF THE CITY OF DETROIT'S MEDIATION STATEMENT
IN RESPONSE TO SEGAL CONSULTING**

This Mediation Statement is respectfully submitted by Mayor Mike Duggan, through the Office of Corporation Counsel and Fink + Associates Law. The Mayor's representatives conferred with Segal Consulting (Segal), hoping to avoid Mediation. Unfortunately, at this point it does not appear that the settlement offer extended by the Mayor will be accepted, so this brief Mediation Statement will outline some of the issues of concern.

At the outset, we should confirm what we have previously advised Segal. The Mayor is not in any way dissatisfied with the quality of the services provided by Segal; the matter at issue is strictly related to fee discounts and to expenses.

Segal charged standard fees. Their fee "discount" is really just their decision not to increase their rates to what they call "expert witness consulting." They also argue that they should get credit for the 50% of unbilled non-working travel time. Of course, that was required of all Professionals.

One adjustment for which Segal should be given some credit is their decision not to increase rates for senior employees, an adjustment that "reduced" fees by \$37,000. What is missing, however, is an across-the-board rate reduction. The City believes that it would be reasonable for the 10% discount accepted by so many other Professionals to apply to Segal also.

It is not easy to determine from the Segal invoices how much charged time relates to the preparation of invoices, but there is certainly a substantial amount of time for that purpose. Unfortunately, invoicing work and negotiations with the Fee Examiner are apparently subsumed in the category of "Case Management," which includes some legitimate, billable tasks. What is clear, however, is that almost all work in this category (including billing and invoicing) is performed by individuals billing between \$535/hour and \$790/hour.

Another issue of concern relates to the expenses incurred and passed on by Segal. While many consultants limited their Detroit hotel charges to \$200/night, Segal charged as much as \$724.07 for a one night stay in Detroit ("9/10/14 HOTEL: Kim Nicholl stayed one night at Westin to attend meeting-Detroit"). Segal is also attempting to charge the City \$19,247.32 for "expenses for Kim Nicholl's rescheduled vacation," stating that these charges were "per her agreement with the City of Detroit." Without further information, it is hard to justify such a large expense.¹

¹ Attached as Exhibit 1 are issues of concern raised by the Fee Examiner.



Respectfully submitted,

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