

REGULAR CITY COUNCIL MEETING
January 26, 2016

The Regular City Council Meeting was called to order by Mayor Bronson in the Council Chambers at City Hall at 7:00 p.m.

Roll Call:

Present: Riddle, Couture, Kwiatkowski, Lavender, Bronson, Temple and King

Councilwoman Riddle led the Pledge of Allegiance to the Flag.

Approval of Agenda, and Receive and File all Communications:

Mayor Pro Tem Couture moved to approve the Agenda and receive and file all communications; supported by Councilwoman Riddle. Motion carried unanimously.

Approval of Prior Meeting Minutes:

▪ **Regular City Council Meeting Minutes – January 12, 2016.**

Councilwoman Riddle moved to approve the Regular City Council Meeting Minutes of January 12, 2016 as presented; supported by Councilwoman Kwiatkowski. Motion carried unanimously.

Communications and Petitions:

▪ **2014/2015 Audit Presentation by Gabridge & Company, PLC** - City Manager Eustice introduced Mr. Neil Hammerbacher, CPA. Mr. Hammerbacher stated there are eight comments on the audit report itself. He directed the Council to pages 1-2, Independent Auditor's Report, stating even though they put the financial statements together as part of the service, they are management's responsibility. Gabridge's responsibility is to give an opinion on them, as to whether they are fair or not. He then read, in part, the Opinions paragraph on page 2, explaining in their profession they call this an unmodified opinion, which is the best you can get so the City is to be commended for that. Mr. Hammerbacher then referred to page 5 explaining that every audit report contains Management's Discussion and Analysis, which includes Financial Highlights. He pointed out that: "At the close of the current fiscal year, unassigned fund balance for the general fund was \$946,103, or 47 percent of the general fund's annualized expenditures." The State of Michigan thinks you have a problem if it's 13% or below, but the City is at 47% so its general fund is in decent shape. Mr. Hammerbacher then stated on page 18 & 19 are the Statement of Net Position and Statement of Activities. In the governmental column, unrestricted net position, there are brackets around \$871,545, which is a negative – you would not want that to be a positive number. There was an accounting change that just took place in the last year for all governments where we put on the books a liability for our pension. For the City of Cheboygan that is a two million plus number. So they have to restate the prior year net assets and then make an entry. For the first time that number went negative this year.

Mr. Hammerbacher then referenced page 19, stating this shows the activities on the functional basis. He went on to state the Change in Net Position of (\$258,933) indicates things got a little bit worse during the year so the current net position by the current year operations declined by that amount. On page 20, Balance Sheet, Governmental Funds, he referred to the City's capital projected fund (Port Property Fund), because we acquired some land during the year. It is management's intention that the City is going to sell this, so they called it Inventory – Land Held

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for Sale. Mr. Hammerbacher referred to page 25, Statement of Revenues, Expenses, and Changes in Net Position, Proprietary Funds, explaining these are the City's business type funds, i.e., sewer and water and some other non-major enterprise funds. He explained the Internal Service Fund (motor pool fund), noting there was a transfer made that was recorded during the audit of \$90,825 because that fund would have went into a deficit position at the end of the year. If a fund is in a deficit position they want to know about and want you to file a deficit elimination plan, and the monies come from the General Fund so the transfer was made to avoid doing the notification and plan.

Mr. Hammerbacher then referenced page 58, Note 14, Reporting Change, reviewing the same, stating this was mentioned earlier to Council. He stated the adjustment for putting this liability on the books was \$2,062,831 in Governmental Activities and in the Business-Type Activities the adjustment was \$612,130. This is the effect of putting pension liability on the books at the beginning of the year.

Mr. Hammerbacher called Council's attention to the Independent Auditor's Report on Internal Control on page 73, stating they noted one issue, is a repeat issue dealing with segregation of duties. The Clerk/Treasurer has his hands on a lot of things and the Council has accepted this in the past and they found he did very good work. He then referred to the last three pages of the report and reviewed the same, stating this generally tells Council how the audit went.

Mr. Hammerbacher then asked for questions, stating the audit was filed with the State of Michigan by December 31, 2015, six months after the year-end date. There were no questions. He then thanked the Council.

Clerk/Treasurer Kwiatkowski commented he thought everything went well for the audit. He noted, even with the unfunded liability, we are still in a pretty good financial place. In the foreseeable future we will want to look at that during union negotiations. Mayor Pro Tem Couture asked if there is an end date to the unfunded liability and at what level are we currently funding it. Clerk/Treasurer Kwiatkowski stated the total unfunded is a little in excess of three million dollars and what MERS has done in the past is amortized that over 30 years with a rate of return on investment of around 8%. They are doing accelerated funding now, so the amortization schedule instead of 30 years is 20 years. He explained that when he first came to work at the City we might have been contributing \$70,000 to \$80,000 a year – the level that we are contributing at this year is going to be \$280,000. Mayor Pro Tem Couture asked how far into the 20 years we are. Clerk/Treasurer Kwiatkowski answered it started two years ago. Mayor Pro Tem Couture asked if we could jump that level to do that quicker or is this where they tell us we should be doing it based on our financials. Clerk/Treasurer Kwiatkowski replied they are telling you based on a 20-year amortization period, noting some communities that were affluent have opted to accelerate their funding. This is something we could look at but if we did that it would really have an effect on the General Fund and Water & Sewer Fund, affecting what kind of projects we could do. Mayor Pro Tem Couture asked once the 20 years is up, would we still be paying to keep it up. Clerk/Treasurer Kwiatkowski informed Council what the City has now for all of the new hires is a Hybrid, noting out of 25 full-time employees 6 are on the Hybrid now. Mayor Bronson asked in the future the Hybrid will become more prevalent. Clerk/Treasurer Kwiatkowski replied yes. Councilwoman Riddle asked if we will then be in an extremely better position. Clerk/Treasurer Kwiatkowski replied when he came to work here the City had was is

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called a B-3 Defined Benefit Plan which was fully funded and we really did pay hardly anything into MERS and a couple years later it went to a B-4, the richest plan in MERS. We went from fully funded to \$100,000 liability overnight. A lot of cities are bridging back from a B-4 or B-3 or B-2. This is something he has spoken to City Manager Eustice about. Mayor Pro Tem Couture asked when negotiations start with the two Unions. Clerk/Treasurer Kwiatkowski replied both contracts are up in July 2017, so negotiations would begin early 2017.

Councilman King moved to accept the 2014/2015 Audit as presented by Gambridge & Company, PLC; supported by Mayor Pro Tem Couture. A roll vote was taken; motion carried unanimously.

Department, Board and Commission Reports:

- **Department of Public Safety Monthly Statistics** – Received and filed.
- **Port Commission Meeting, January 4, 2016** – Received and filed.

General Business:

▪ **Request to Take Bids – Lawn Tractor for Parks & Recreation Department** - City Manager Eustice stating they are asking the Council to allow us to send out Requests for Bids on a lawn tractor, which is about a \$10,000 to \$12,000 item. It is a large lawn tractor with an 80 inch deck and maneuverability is almost on the spot. The one we have in service now is about at the end of its use. Councilman King asked if the new one would be larger than or similar size to the current tractor. City Manager Eustice replied similar size and it will be needed at the start of the grass cutting season, noting this equipment is in the Capital Improvement Plan.

Councilwoman Kwiatkowski moved to approve the taking of bids for a lawn tractor for the Parks & Recreation Plan; supported by Councilman Temple. A roll call vote was taken; motion carried unanimously.

- **Consideration to Approve Traffic Control Orders, Nos. 3-14; 03/15- 04/15; 06/15-08/15; and 01/16-03/16.**

Councilman Temple moved to approve Traffic Control Orders Nos. 3-14, 03/15-04/15, 06/15-08/15, and 01/16-03/16; supported by Councilman King. A roll call vote was taken; motion carried unanimously.

▪ **Consideration of Bids – 4x4 Extended Cab Pick-Up Truck for Water Department**

(Emergency Replacement) - City Manager Eustice stated the Water Department had a 2001 truck that has been taken out of service, noting the replacement is in the Capital Improvement Plan. He stated about \$2,000 was put into the 2001 truck in the later part of 2015 and just recently the water pump went out and the frame of the vehicle is in a condition where it was a safety hazard. City Manager Eustice informed Council that they will also use the new truck to plow, which will be outfitted with lights. The City bid this through MiDEAL, which is a State agency that bids out all types of vehicles. Through this bid process, Ford vehicles were the lowest cost and Fernelius Ford Lincoln also bid and, to our surprise, bid lower. MiDEAL usually only has white and red trucks, which they sell to municipalities and counties. The truck, through Fernelius Ford Lincoln, is blue in color, and MiDEAL only has a white truck. Both vehicles are

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available right now. Councilman Temple asked if this truck will be used to plow parking lots. City Manager Eustice replied yes, the plowing can be done by Mr. Don Dailey, who is at City Hall every morning doing water testing. He then informed Council of the job posting for a new Water Department employee, who will cross-train between the DPW and Water Department. Mayor Bronson asked if the Fernelius bid included the Boss plow. City Manager Eustice replied the plow and light bar are included. He explained that DPW Director Karmol could not attend tonight's meeting because he was attending a grant writing seminar at Lansing Community College today and tomorrow. Councilman Temple commented he would like to see a maintenance schedule on the trucks, i.e. cleaning them up because of all the salt and these need to be kept up. Councilman Lavender asked if DPW Director Karmol recommended which vehicle to go with. City Manager Eustice stated DPW Director Karmol said he would take either one. Mayor Pro Tem Couture commented on having a "V" plow instead of a straight plow and would like the City to purchase the right piece of equipment. City Manager Eustice stated he will ask DPW Director Karmol about this.

Councilwoman Kwiatkowski moved to approve the purchase of a 4x4 extended cab pick-up truck from Fernelius Ford Lincoln in the amount of \$38,020.00; supported by Mayor Pro Tem Couture. A roll call vote was taken; motion carried unanimously.

Public Comments: *(None.)*

City Clerk/Treasurer's Comments:

▪ **Annual DDA TIF Financial Report for City's Fiscal Year Ended June 30, 2014 -** Clerk/Treasurer Kwiatkowski stated this Report has already been published in the *Tribune* and sent to the Department of Treasury. He briefly reviewed this Report. He referred the Council to the bottom of the Report showing where the different captured money comes from, noting \$105,300 from the City; County - \$39,700; City Debt - \$35,800; Library - \$8,000; Senior Citizens - \$3,500; Ambulance Authority - \$1750; and our new Road Fund lost about \$7,000 to the DDA this year. He stated there has been some unexpected revenues from the State last year and this year from personal property tax that we can no longer collect. City Manager Eustice commented for the 2016/2017 fiscal year the DDA is going to get a nice revenue increase from the Straits Area Federal Credit Union as the DDA will capture the bulk of that improvement. Also, Bishop Motors GMC Cadillac was under the Obsolete Property Rehabilitation Act Program when Wernig Jones had the facility, so there was a tax break for 11 years, which expired December 31, 2015. That value now comes into the current assessment roll and, again, all of that gets captured for the DDA. Clerk/Treasurer Kwiatkowski informed the Council if the DDA were to be dissolved, the \$105,000 that comes from the City's General Fund would actually be a wash because we would still have debt service on the footbridge and Festival Square. City Manager Eustice noted the DDA TIF was extended to 2022.

City Manager's Report:

▪ **Planning Commission Meeting/CIP/Strategic Planning -** City Manager Eustice reported at the last Planning Commission Meeting they discussed the Capital Improvement Plan (CIP), which was done last year. Noting the CIP is a five-year plan that should be updated every year. In this process, the venue for helping to update the CIP is the Planning Commission, who did not assist with it last year. The Planning Commission was given a copy of last year's CIP and when they meet in February they will discuss projects they may have a desire to do within the City. The

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Commission's role is not only to help the City with business development and zoning type issues, they are the planning venue for recreation department type planning and making recommendations to the Council of what they want the City to look like in the future. The Commission is also a big part of the new Master Plan they are working on. City Manager Eustice then informed Council he would like to have a strategic planning meeting with the Council, perhaps prior to a regular meeting or separately during the day, etc. He would like to get input from the Council to get ideas of the goals of the Council for the future. There has not been a strategic planning meeting since 2008. The HyettPalma Study was used a little for strategic planning and we have completed almost everything that was contained in this Study from 2004. He would like to have this strategic planning meeting within the next month or two. City Manager Eustice stated he received a lot of feedback on Gordon Turner Park and is currently working on a grant to put an open air pavilion there, which Northern Lakes Economic Alliance is helping with. He went on to state that Project Playland is 23 years old so the equipment is ancient, noting a swing set has fallen apart. A lot of the equipment was made from old telephone poles that were donated. There is grant monies available for these types of things, i.e. DNR Land Trust and Passport Program. He stated the Passport Program funding comes from State park stickers. Mayor Pro Tem Couture asked if the new play equipment at the Recreation Center was grant. City Manager Eustice replied no, the City's General Fund paid for it. The strategic planning session, in some respects, will also help finalize the Master Plan. He then asked Council for feedback as to how they would like to approach this, so he can set up a meeting; adding, he does not think we need a facilitator.

- **Sludge Hauling** - City Manager Eustice stated DPW Director Karmol put together information for Council on the sludge hauling that was done, pursuant to Mr. Ray Lofgren's question at the last Council meeting on the \$21,000 that was spent. Mr. Lofgren is still working on getting approval from the DEQ to qualify for the sludge for one of his properties. City Manager Eustice informed the Council we needed to move the sludge, which had not been done in 10 years and we were out of room. He stated if someone does take sludge, they can only take 50% of the acreage that you have, noting we were cited in 2006 for taking too much sludge to a private property. He referred Council to a list of the nine different properties that are qualified to take sludge and the property has to be used for agricultural purposes (grow a crop). Mayor Pro Tem Couture asked how much sludge the City has left. City Manager Eustice replied 40% was removed and additional has been added since. City Manager Eustice stated he will contact Mr. Lofgren.

- **Port Property** - City Manager Eustice stated Bois Blanc Township has had the amended purchase agreement for three weeks. Yesterday City Attorney Steve Joppich sent a letter to Bois Blanc Township's Attorney Cliff Bloom, as we have not heard anything from them at all. City Attorney Joppich has given the Township a deadline of this Friday for an answer, one way or the other. City Manager Eustice informed Council that Kokosing is still working on an offer and they will try and get us an offer within the next week. They have to file a Facilities Security Plan in February and will include the north end of the Port property that we own, noting this is a Plan that has to be in place with the United States Coast Guard for that property to be eligible to ship and receive. Councilman King asked if this property has to be included in the Plan even if they were leasing the property from the City. City Manager Eustice replied yes, noting the Kokosing property has always been eligible. Councilman Lavender asked if the City does not hear from the Township on Friday, is there going to be some proposed action at the next Council meeting to move forward. City Manager Eustice replied we certainly could. Mayor Bronson commented there is a Port meeting next Monday. City Manager Eustice stated the Port Commission would be the venue to take it to first for a recommendation to the Council for their February 9 meeting.

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- **Moran Iron Works Meeting** - City Manager Eustice informed the Council that he and Mayor Bronson have a meeting with Moran Iron Works next Tuesday, February 2, 2016 at 9:00 a.m. Mr. Jim Nihls, who is on the Port Action Commission, our industrial marketer will also attend the meeting. They will upgrade Moran Iron Works on the status of the Port activity and find out what kind of interest they have in the Port, as we want to make sure they have the ability to utilize the Port first.

Messages and Communications from Mayor Pro Tem and Council Members:

- **Sidewalk Clearing – W. Lincoln Avenue** - Councilman Temple stated a meeting or two ago we talked about clearing the sidewalk on Lincoln Avenue up to the schools, asking if the City has been doing that. City Manager Eustice replied yes. Councilman Temple then asked if the City used to clean sidewalks on Main Street as far as McDonalds. Councilman Temple stated we need to get this done, as he has had a couple of complaints because there is no place to walk.

- **Snowmobile Traffic** - Mayor Pro Tem Couture stated from Burger King to the high school it is set up for snowmobiles on both sides and thinks it only needs to be on one side from the Trailhead. Councilwoman Riddle commented the snowmobiles are in the berm and are not supposed to be on the sidewalk until you get from Huron Street to Burger King. Mayor Pro Tem Couture commented on the flags he sees to keep people off of lawns. Chief Jones stated there are flags at Huron and Lincoln and Cuyler and Lincoln.

- **Division Street & E. State Street Water Main Breaks** – Councilman King asked for the status on the recent water main breaks on Division Street and E. State Street. City Manager Eustice reported both breaks are repaired, noting the E. State Street break was somewhat severe. The State is going to help us fund repair of the street, since it is a State highway. The problem with the street is there is a 1912 water main under it that is in pretty bad shape. The Planning Commission recently discussed this, as the State did that project a couple years ago, noting he is not sure why the water main was not replaced at that time. City Engineer Jim Granger, who is also on the Planning Commission, said they looked at that and talked about it but did not think they could get the funding quick enough to do it. They made the decision not to replace the water main. This is something we can do in the future.

City Manager Eustice stated the Division Street break involved an older water main, noting there is an 1894 water main that runs down Western Avenue, where we had three breaks over the past 12 months.

- **Capital Improvement Plan Meeting** – City Manager Eustice stated there may possibly be a Capital Improvement Planning Meeting before a Council meeting. He asked Council to give him their suggestions as to the time.

- **Power Outage/Street Lights** - Councilman King commented on the street lights that were out for a couple weeks after a recent last power outage. City Manager Eustice replied the street light outage was tied into the pole/transformer in Washington Park that has caught on fire three times in the past year. The power for the street lights has been rerouted and the line that is underground that goes to the footbridge is still burnt out.

- **Blight** – Councilwoman Kwiatkowski stated there is an individual property owner who is concerned he might be ticketed if he does not clean up his property, but he has no money and is not capable of doing it himself. She told him she would bring it up at Council. Councilwoman Riddle stated some property owners may not be aware they are eligible for poverty exemptions. Councilman Temple stated he does not see where it would cost a lot of money to clean something up. City Manager Eustice stated there are some other options we need to look at. Mayor

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Bronson commented people are noticing the blight enforcement and clean-up improvement. Councilman Temple stated there is a lot more involved in blight clean-up then people know. Chief Jones stated he met with Judge Barton and set the fines higher.

▪ **Consumers Energy Tree Cutting** – Mayor Bronson asked if tree cutting has begun in the City yet. City Manager Eustice replied no, but they have started in the County. Ms. Trudy Lofgren stated tree cutting has begun near them. Councilwoman Riddle asked how it looks. Ms. Lofgren replied they are really cleaning it up and there is not a lot of wood there. Councilwoman Kwiatkowski stated Consumers is doing exactly what they said there were going to do, i.e. cutting and stacking.

Adjournment:

Councilman Lavender moved to adjourn the meeting at 8:14 p.m.; supported by Mayor Pro Tem Couture. Motion carried unanimously.

Mayor Mark C. Bronson

Clerk/Treasurer Kenneth J. Kwiatkowski

Councilman Joseph Lavender

Councilwoman Winifred L. Riddle

Councilman Vaughn Temple

Councilman Nathan H. King

Mayor Pro Tem Nicholas C. Couture

Councilwoman Betty A. Kwiatkowski