

REGULAR CITY COUNCIL MEETING
November 14, 2006

The Regular City Council Meeting was called to order by Mayor Muschell in the Council Chambers in the City Hall at 7:00 p.m. The proceedings were as follows:

The Oath of Office was taken by Councilwoman Theo Lepp.

Present: Council Members Charboneau, Muschell, Tebo, Lepp, Riddle and McCauslin

Absent: Councilman Boardman

Councilman Charboneau led the Pledge of Allegiance to the Flag.

Councilman McCauslin moved to excuse Councilman Boardman due to illness. Seconded by Councilman Tebo. Motion carried unanimously.

Approval of Agenda and Receive and File all Communications

Mayor Muschell noted one addition to the agenda under 9.C. Communications and Petitions – Letter from the Mackinaw Bands of Chippewa and Ottawa Indians.

Councilman McCauslin moved to approve the agenda as amended and receive and file all communications. Seconded by Councilman Charboneau. Motion carried unanimously.

Correction and Approval of Prior Meeting Minutes

- **Regular City Council Meeting – October 24, 2006**

Councilman McCauslin moved to approve the minutes of the October 24, 2006 Regular City Council Meeting as presented. Seconded by Councilman Tebo. Motion carried unanimously.

Public Comments

Public comment portion of the meeting opened by Mayor Muschell.

- **Retiree Healthcare**

Mr. Rick Winters introduced himself explaining he is present in reference to the City of Cheboygan healthcare after retirement issue. He distributed a proposal to Council that includes an offer to terminate his own fully paid retiree health coverage three years earlier than what was provided to others on the plan and information on the turnover of recipients for the retiree healthcare benefit. Councilman McCauslin asked if this issue could be addressed as part of or immediately following 12.F. – Review of Report & Recommendation of Retiree Health Insurance Committee dated April 12, 2005 on the agenda, or if delaying discussion would violate provisions of the Open Meetings Act. City Manager McNeil commented that discussion could be tabled and that is up to Council. He noted there was a miscommunication between himself and Mr. Winters and that he had planned on including Mr. Winters' request on the next City Council agenda and simply reviewing the existing policy tonight. Councilman McCauslin recommended considering this information along with reviewing the retiree healthcare policy later in the meeting because the two issues are directly related.

Councilman McCauslin moved that Council take action on this matter in part and parcel with 12.F. General Business – Review of Report & Recommendation of Retiree Health Insurance Committee dated April 12, 2005. Seconded by Councilman Charboneau. Motion carried unanimously.

- **Payment for Headstone Expense**

Ms. Janet Gahn introduced herself and presented a bill to Council in the amount of \$25 to straighten and re-epoxy her grandparents' headstone at Pinehill Cemetery after it was damaged by the independent contractor for the City. She explained that the independent contractor made no attempt to correct the situation other than a verbal apology. Ms. Gahn requested payment by the City to Mr. Dave LaCross, the local representative for A.B. Crow Memorial. Ms. Gahn commented that she and her family feel that ultimately the City is responsible because the independent contractor was hired by the City and the terms of his contract have not been followed. She added that the issue with regards to the repair and/or replacement of her grandparents' headstone will be addressed by her entire family at a later date and will not be brought forth tonight. City Manager McNeil commented that he is unsure if the bill was presented by the Gahn family directly to Mr. Olson. He noted that in practice, the City should not take responsibility for issues that an independent contractor assumes and that payment should be made by the independent contractor. Ms. Gahn responded that the City is responsible for the terms in the contract with Mr. Olson. City Manager McNeil indicated that his comments stand as stated. Ms. Gahn stated that she asked City Manager McNeil why Mr. Olson had not spoken with her, adding that she works at City Hall and Mr. Olson had been in several times without approaching her. She indicated that the response she received is that Mr. Olson is not going to talk to her. Councilman Charboneau recommended paying the bill to resolve the matter.

Councilman Charboneau moved to authorize payment of \$25 to Mr. Dave LaCross by the City of Cheboygan on behalf of Ms. Janet Gahn for resetting her grandparents' headstone. Seconded by Councilman Tebo. Motion carried unanimously.

Councilman McCauslin recommended that any remaining bills or issues be addressed at one time. Ms. Gahn replied she understands that and explained the arrangements that were made to have the headstone reset. Councilman Charboneau commented all parties should be satisfied now and there is no need for ridicule in Council chambers. Councilwoman Riddle concurred with Councilman McCauslin on addressing all issues at one time. She questioned the appropriate way to react to bills an independent contractor does not address. Clerk/Treasurer Kwiatkowski explained that bills and disbursements should be presented to himself or City Manager McNeil. He added that this issue could have been addressed in-house and the matter referred to Mr. Olson, and Council would have been advised if a problem arose. With regard to the headstone itself, he has spoken to Mr. Olson and has observed the headstone twice. The headstone has a tiny nick that Mr. Olson may deny was done by himself or his staff as the nick could have happened any time. Clerk/Treasurer Kwiatkowski commented that those are issues that should be handled in-house and not brought before Council. Councilwoman Riddle referred to the length of time there was no movement from the independent contractor to resolve the matter with the headstone. Clerk/Treasurer Kwiatkowski stated that the matter would have been addressed by simply notifying him of the problem. Councilwoman Riddle asked what avenue the general public has when a situation is not addressed by the independent contractor. Clerk/Treasurer Kwiatkowski explained that problems should be brought to his attention or that of City Manager McNeil to provide an opportunity to address the issue. Mayor Muschell asked if a claim could be filed with Mr. Olson's liability insurance company. City Manager McNeil commented that a claim could be filed if needed. He reiterated that his general policy is not to pay an

expense that was caused, or alleged to have been caused, by an independent contractor. Councilwoman Riddle commented that Council has worked very hard to ensure that the public is comfortable in making public comments during Council meetings.

Mr. Ray Lofgren commented on the difficulty of speaking during public comment and that many people are apprehensive in addressing Council. He noted that he has been observing the reactions of City Manager McNeil and Clerk/Treasurer Kwiatkowski during Ms. Gahn's comments and that those reactions were not cordial. Mr. Lofgren added that the public should feel comfortable speaking to Council.

Mr. William Burnett introduced himself, and commented on the \$2,500 and \$700 fees paid to Mr. Olson as outlined on the Bills and Disbursements report. He requested an explanation on the expenses. City Manager McNeil explained that Mr. Olson has two separate contracts with the City. One contract is for cemetery maintenance such as burials, and the other is for the Sexton duties and record-keeping, and that the expenses on the bills are incremental amounts for each of the contracts. Clerk/Treasurer Kwiatkowski stated that the contract for cemetery maintenance is \$52,000 per year and that those services are performed from April 1 through October 31 of each year. Payment is structured in increments of \$2,500 every two weeks and then a lump sum amount is paid in November on the balance.

Public comment portion of the meeting closed by Mayor Muschell.

General Business

- **Review of Report & Recommendation of Retiree Health Insurance Committee dated April 12, 2005**

City Manager McNeil referred Council to information dated November 14, 2006 on retiree health insurance, explaining that the order in which the information was originally provided to Council has been changed based on the order he plans to present the information to Council. He explained that what caused the policy now in effect to be considered was first a recommendation to Council from the City auditors that a committee be formed to analyze future costs in health care benefits. City Manager McNeil referred to potential property tax increases as well as a potential increase of 13.7% per year in health insurance premiums based on the previous ten years, which he noted is currently 16% per year for the past ten years that the health insurance premium has increased for the City of Cheboygan. He added that with that expression of concern and recommendation of the auditors, Council formed a committee comprised of Mayor Muschell, Mayor Pro Tem Spinella and Councilman McCauslin. City Manager McNeil referred to the letter from Rehmann Robson as well as a graph the accountant provided which compares the anticipated increases in property tax revenues with the anticipated increases of health insurance premiums. Also provided is information the Committee reviewed in developing a recommendation which outlines results of a survey of retirement health insurance benefits offered by other communities within this general area. With that information, the Committee took a look at the cost projection based on the policy in place at that time. City Manager McNeil explained that these cost projections are based on a two-person premium and interjects a 13.7% increase per year forward, which is based on the average experience for the past ten years. Payments the City would make based on that benefit are also provided on the bottom of the report. He commented that the Committee determined that the cost would be burdensome for the City and after some evaluation and review, decided to make a recommendation that would basically take the current single person premium and provide a 3% increase on that premium per year

from that year forward. He noted that the next projection reflects cost based on that policy consideration. As an example, the previous policy that provided the richer benefit projected a cost through 2020 of just over \$5 million and the comparison in cost for the recommended policy for the same time period projected at approximately \$1.6 million. City Manager McNeil commented that based on this analysis, the Committee felt by way of their recommendation that this was something the City could fund. Based on that information, the City engaged the services of its labor attorney and with his assistance, developed the policy that Council eventually adopted. Some requirements of the previous policy are incorporated into the new policy such as hire date provisions for eligibility in the retiree health benefit program. City Manager McNeil referred Council to the schedule of maximum contributions the City would make for retirees toward the health benefit program. He noted that one of the goals of the Committee was to try to develop a policy that is comparable to what other cities provide based on the survey and an amount to know exactly what to expect in the future rather than something subject to an inflationary increase that could only be projected based on historical data. The Committee was very diligent and spent much time and care in developing the new policy. City Manager McNeil stated that he strongly recommends that the City not vary from this policy not only for financial reasons and cost to the City, but simply in trying to be fair to everyone from here forward. He explained that in varying from this policy and allowing individuals to receive the richer benefit of others that have retired before, there is then a large inflationary influence that drives costs significantly and may force Council in the future to reduce the benefit to others even below what this policy provides. As an example, in the information provided by Mr. Winters that is based on current projections, the amount allocated for Mr. Minch who has retired, is projected at approximately \$25,000 to provide retiree health insurance for 2011. The projected cost under the current policy is \$5,748. City Manager McNeil commented that Council can see the cost based on actual history which is known data for the past ten years and if projected into the future, we are looking at some very exorbitant costs and unfortunately, in his view, the City cannot cover what was covered in the past and needs to stay with the current policy. Councilwoman Riddle questioned if the union bargaining agreement contains reference to medical insurance after retirement. City Manager McNeil replied that neither bargaining contract refers to health insurance after retirement. Councilman McCauslin outlined his own circumstances and indicated he understands, but a line must be drawn with some type of positive impact for the rest of the residents of the City. He added that decisions made in the past are adversely affecting the City now. Councilman McCauslin referred to State revenue being cut over 20% and everything is hurting the residents of Cheboygan. Mr. Winters referred to occasions when Council purchased retirement time for former employees but is refusing his particular request even though he worked side by side with the retirees and is retiring under the exact same contract they retired under. Councilman McCauslin stated that in another year, two more employees are going to come to Council with the same request, and the year after that another person is going to come, and it will never end unless a line is drawn. Mayor Muschell indicated that the whole country is in the same situation and it is a mess. Councilman McCauslin again related his own personal experience with having to eliminate his supplement insurance because he can no longer afford the coverage. Councilman Tebo commented on opt out participants as well as options for basic health insurance coverage. Clerk/Treasurer Kwiatkowski noted that as Councilman McCauslin stated the decision was not easy to go with this new policy. The original projection was \$5 million over twenty years and the City could not afford that two or three years ago and certainly cannot afford that going into the future. In considering a basic policy such as Blue Cross and prescription only which are core packages that cannot be separated, that is a minimum of approximately \$8,000 to \$10,000 per year. Councilman Tebo asked if other plan providers could be considered. Clerk/Treasurer Kwiatkowski noted that the escalating cost of coverage is the problem. Councilman Tebo suggested capping the amount the City pays and having the retiree pay the additional cost. Clerk/Treasurer Kwiatkowski

stated that the City cannot afford a core package for retiree and spouse. The department heads are meeting and looking at budgets five years out. He noted that every position and service the City provides is being looked at and does not include additional benefits for retirees. City Manager McNeil commented that all the questions being asked by Councilman Tebo have been addressed by the Committee and the other items Clerk/Treasurer Kwiatkowski is referring to are reactions to Operation Fund projections which will be outlined later this evening. Clerk/Treasurer Kwiatkowski commented that the City is governed by the Government Accounting Standards Board (GASB). He explained that the new standard, GASB 45 will require the listing of all retiree benefits on financial statements by the year 2010, as well as the manner in which those benefits are funded which may affect bond ratings and will have quite an affect on the City financially. Mr. Winters referred to his proposal, noting the other employees have ten years of fully paid retiree health insurance and he is requesting seven years, with the last three years of retiree health insurance according to Council policy. He commented that as previously indicated he is willing to work with the City and that his position is that he is not here to argue with Council. Councilman Charboneau referred to anticipated rate increases commenting that no one knows if that will happen and tomorrow everything could drop down to nothing. Mr. Winters agreed. Clerk/Treasurer Kwiatkowski explained that in 1998 when he first started doing projections, the historical ten year average was 10.1% and that is now over 16%. He added that it does not make sense to downplay this matter. Councilman Charboneau indicated he wants to see what is done with the money that comes into the City. City Manager McNeil noted that he could provide that information. He added that based on the survey, this program is very comparable to what other cities provide. Councilman Charboneau stated he does not care what other cities are doing and is only interested in Cheboygan. Councilwoman Lepp related her own circumstances regarding health insurance and commented that there are plans available that would be worth looking into. Mr. Winters stated he is not looking for prescription coverage and possibly there is something available that he could check into for himself and questioned if that information should be brought to Council. Councilman Charboneau recommended providing the information to City Manager McNeil and Clerk/Treasurer Kwiatkowski. Mr. Winters commented that he attempted that before but Clerk/Treasurer Kwiatkowski was reluctant to look into any information. Clerk/Treasurer Kwiatkowski denied that, commenting that he has not been asked to look into other plans. Mr. Winters disagreed, indicating that he referred to COBRA and a cafeteria plan on numerous occasions. Clerk/Treasurer Kwiatkowski commented that the City offers COBRA but the employee would pay the entire premium, and with regard to the cafeteria plan, the City does not offer that. Mr. Winters stated there are other plans available that do not come near the expense of the current plan. City Manager McNeil stated that the fact of the matter is that the City has a policy in place. There was a lot of thought put into the policy and one of the reasons that the Committee thought it was important to have a policy like this is the certainty of the numbers into the future and the ability to manage all of the other operations of the City and know at least to some degree what the costs are going to be going forward. And again, it is very comparable if not one of the better benefits that the other cities in the survey provide. Mayor Muschell indicated that the \$5 million charge in twenty years is alarming. City Manager McNeil commented that is actually within a fifteen year period in the projection. Mayor Muschell commented that it is mandated that the Clerk and City Manager make the projections under the accounting system as to what would be anticipated and how the program is funded. Councilman Tebo suggested tabling this issue and deferring back to City Manager McNeil, Clerk/Treasurer Kwiatkowski and Mr. Winters, or the Committee to try to explore other types of insurance plans. He added that Council may have to come back in another month and uphold the policy but it is worth looking into further to explore other avenues. Councilman Tebo noted that if the result is there are no other avenues than what we have before us, then so be it, but he would like to have a little bit more research. Councilwoman Riddle commented that the first responsibility as a

City Council is to run the City for the benefit of the citizens and that should be the same for the employees who are working for the City. She added that the citizens should not be here to pay for the retirement benefits of the employees and that is what it would end up being if the City maintained the policy as it was originally. Councilwoman Riddle commented that is why the hard choice to change the policy was made and that is why she voted to change it.

Mr. Al Waller introduced himself, requesting that the City explore alternative insurance plans that are less costly. He added that the City is willing to pay a certain amount toward retiree health insurance and that possibly a more reasonable plan closer to what the City pays toward the premium could be considered. Mr. Waller commented that he realizes that insurance costs are high but maybe there is an alternative available and affordable for people to be able to retire and still have some kind of health insurance. Councilwoman Riddle related her own situation with health insurance and having to make a decision on what plan is affordable, as well as contributing to a retirement program. She commented that we all have to make a stronger commitment to our own retirement and not expect others, which in this case would be the taxpayers of Cheboygan, to foot the entire bill. Mr. Waller stated that is not what he is asking, and explained that Council has already made a policy to pay \$500 per month toward retiree health insurance and he is asking if the City could look into some other type of coverage that is closer to that cost so the retiree is not paying as much toward the premium.

Councilwoman Riddle asked if the City just changed insurance carriers. Clerk/Treasurer Kwiatkowski stated that the City just went to Priority Health and that he works very closely with BK&C and could explore what else is available. City Manager McNeil commented that may involve going to a benefit with uncertain inflationary increases into the future. The only other option which the Committee discussed is to simply give the money to the retiree and have them purchase their own coverage. The Committee was concerned with whether or not the retiree would purchase insurance coverage with the money and if there were some administrative measures available to monitor that policy. Clerk/Treasurer Kwiatkowski stated that if retirees continue to have insurance coverage through the City, the City is limited in the number of suffixes available on the group plan, or how many individual plans or individual groups. Councilwoman Riddle requested clarification on the statement regarding employees hired after a certain point in time. City Manager McNeil explained that the policy mirrors other policies that the Council adopted relative to health insurance after retirement and pertains to employees that were in place as of April 27, 1999. Before April of 1999, the retiree would come before Council and request that the City pay for health insurance after retirement. Some would ask and some did not, and most of the time Council agreed. There was not an actual policy in effect but in April of 1999 a policy was adopted by Council that said that any employee that is currently hired would receive health insurance coverage for themselves and spouse until age 65. Then some refinements went with that policy because the language was not quite right and of course the cost began to escalate and the projections became alarming, and that is where we are at today. Councilwoman Riddle stated then that there is no retirement health insurance benefit for anyone hired after 1999. City Manager McNeil indicated that is correct. Mayor Muschell questioned if the alternative of giving the money to the retirees to purchase their own insurance can be done under the union contract. City Manager McNeil replied that this has nothing to do with any collective bargaining provisions. Clerk/Treasurer Kwiatkowski stated that if the City were to do that, just the enormous amount of paperwork and book-keeping once these people start retiring would take that away. Also he would have to check the IRS regulations to determine if this would be a taxable benefit which he believes would be. Mr. Winters stated that he checked with the Chamber of Commerce who does not have a direct policy but as long as Chamber membership is maintained, a retiree could contact one of the local insurance companies and purchase a plan that is designed specifically for them. And then to get away from taxable income, the retiree would submit the bill to

the City for payment which would not be a cumbersome ordeal. Clerk/Treasurer Kwiatkowski agreed, adding that basically as people retire, the retiree would set up their own insurance and the City would reimburse them for a portion of the premium. Mr. Winters stated that is what Mr. Waller was explaining, and requested that research be done to determine what alternatives are available. Clerk/Treasurer Kwiatkowski stated he would research the matter and report back to Council at the next meeting.

Councilman Tebo moved to table this issue until the first City Council meeting in December so that Clerk/Treasurer Kwiatkowski can explore other options regarding the retiree health care coverage. Seconded by Councilman Charboneau. Motion carried unanimously.

Council briefly discussed retiree health care benefits. Clerk/Treasurer Kwiatkowski mentioned group conversion plans where participants select the appropriate coverage according to their specific needs and the matter is out of the City's hands. He commented that what he currently interested in is what the IRS determines regarding taxable income. Councilman Tebo stated that the City may have to continue with the present policy that is in place. Mayor Muschell commented that it is a taxable benefit and he is unsure what affect that would have.

Public Hearings

- **Community Development Block Grant Application for Water System Improvements**

Public Hearing portion of the meeting opened by Mayor Muschell.

City Manager McNeil stated that this public hearing is being held in consideration of applying for a community development block grant through the Michigan Economic Development Corporation. He noted that the grant is for \$750,000 and the total estimated cost of the project we are proposing to fund is \$1,263,600. City Manager McNeil explained that one of the main reasons for public hearings on this is the commitment of local funds and approval of the project. He commented that we are looking at committing local funds in the amount of \$513,600 which is based on the difference between the estimated cost and the grant monies. City Manager McNeil stated that it is proposed that the City come up with that match funding by issuing water system revenue bonds, noting that the estimated debt service toward that bond is included in the current budget. He explained that the project scope is water main replacement on Main Street from Lake Street south to Nelson Street; South B, C and D Streets from State Street to Seventh Street; and Duncan Avenue from State Street to Eastern Avenue. City Manager McNeil reiterated that this project is part of the City's Strategic Plan objectives in addressing the water system, and part of what we are proposing to replace not only improves the reliability of the system, but also addresses the areas with the highest number of water quality complaints. He added that the Main Street project is looking to improve fire-flows and replace infrastructure, and taking advantage of MDOT coming in soon after. Council will note that the application includes the Community Development Plan that Council approved at the prior City Council meeting, as well as a map of the project and project budget where the City is requesting the water main construction and contingency funding to come from the grant, with the City covering the remainder of water main construction and the engineering costs. City Manager McNeil commented that the City has been given approval to submit this application based on submission of a notice of intent and that is a favorable sign of the City receiving funding. He noted that for the benefit of the audience, the areas of the proposed project are highlighted in red on the water system map. Councilman McCauslin commented that the Duncan project terminates at Eastern Avenue and asked if that is all new system beyond Eastern Avenue. City Manager McNeil indicated that is part of an

old system and that he will be reporting on some proposed replacement for that in the Capital Improvement Plan under City Manager's Report.

Mr. Ray Lofgren commented that there should be approximately 2,240 lineal feet of historically old pipe which he believes is ten-inch water main that he has tapped into since the redevelopment of Old Duncan City. He estimated that part of the line being omitted may have well over 400 units or tax id numbers that serve the area from Eastern Avenue down through perhaps the end at Marina Bay Condominiums. Mr. Lofgren explained that the Harbor Side subdivision line starts at 1020 Duncan Avenue, and from there, back to what City Manager McNeil just identified as Eastern Avenue, is probably some of the oldest cast iron main in Cheboygan. He commented that in the ten years that he has tapped, as current as last year, into the new eight inch water lines, the inside of his brand new lines have at least an eighth of an inch of cast iron scum in them right now. That line traverses down to the condominiums and whether it links back he is unsure, but perhaps that line is more important or just as important and certainly serves more people than on F Street for instance. Mr. Lofgren commented that if he would have thought of that earlier he could have brought that to City Manger McNeil's attention but he did not realize that would eliminate that old line or dead end in between there. Mayor Muschell requested clarification on the eighth of an inch on the inside of the pipe. Mr. Lofgren explained that eight and six inch water lines have been used to Marina Bay Condominiums which is on Harrison Avenue and then as the years went by, Duncan Bay Boat Club was added as well as Harbor Side so that area is with brand new lines at the intersection of Duncan Avenue and Lighthouse Drive. He noted that when the filter was put in when the last tap that was done less than a year ago, he observed solid iron scuds about an eighth of an inch thick at each end of the six inch pipe, which is obviously coming from the old water main. Mayor Muschell commented that is understandable.

Mayor Muschell asked if there were any comments from the public or Council. There being none, the Public Hearing portion of the meeting was closed by Mayor Muschell.

Councilman Tebo moved to approve the Authorizing Resolution for a Community Development Block Grant Application for Water System Improvements in the amount of \$750,000. Seconded by Councilman McCauslin. Motion carried unanimously.

Communications and Petitions

- **Letter of Resignation dated October 25, 2006 from Jeffrey L. Hansen on City Planning Commission**

Mayor Muschell read the letter of resignation from Jeffrey Hansen on the City Planning Commission. He asked if this would create the only vacancy. City Manager McNeil indicated this is the only vacancy on the Planning Commission. Councilman McCauslin asked how long Mr. Hansen has served as Commissioner. City Manager McNeil estimated that Mr. Hansen has served on the Planning Commission for three or four years and has had difficulty attending meetings because of his work schedule.

Councilman McCauslin moved to accept with regret the letter of resignation from Jeffrey L. Hansen from the Planning Commission and to adopt a Resolution of Appreciation to Mr. Hansen. Seconded by Councilman Tebo. Motion carried unanimously.

- **Request from Mr. Hall's Fifth Grade Class to have a Hot Chocolate/Bake Sale at 2006 Christmas Parade in Front of Washington Park**

Councilman Charboneau moved to approve the request from Mr. Hall's Fifth Grade Class to hold a hot chocolate/bake sale at the 2006 Christmas parade in front of Washington Park. Seconded by Councilwoman Lepp. Motion carried unanimously.

- **Request from Mackinaw Bands of Chippewa and Ottawa Indians to sell Wreaths in Washington Park During 2006 Christmas Parade**

Mayor Muschell read the letter from the Mackinaw Bands of Chippewa and Ottawa Indians requesting to sell wreaths in Washington Park the night of December 3, 2006.

Councilman McCauslin moved to approve the request from the Mackinaw Bands of Chippewa and Ottawa Indians requesting to sell wreaths in Washington Park the night of December 3, 2006. Seconded by Councilman Charboneau.

Councilman Tebo noted that hot chocolate will also be sold in Washington Park that evening. Councilwoman Riddle mentioned there needs to be some determination on the location for these two fund-raisers within the Park. Clerk/Treasurer Kwiatkowski replied that he has already talked to Chamber of Commerce officials when the requests were received and there is no problem with having both functions in Washington Park that evening.

Motion carried unanimously.

Bills and Disbursements

- **Bills and Disbursements for the Month of October 2006**

Councilwoman Riddle moved to approve the bills and disbursements for the month of October 2006 in the amount of \$549,185.61. Seconded by Councilman Tebo. Mayor Muschell abstained from voting. Motion carried.

Councilman McCauslin commented that Mr. Hoffman's bill reflects quite a bit of activity on the Island Ferry. He requested that an update be provided in the next couple weeks. City Manager McNeil indicated that an update would be provided.

Boards and Commission Reports

- **Regular Meeting of the Historic Resources Commission – November 6, 2006**

City Manager McNeil reported that Ms. Lois Ballard of the Cheboygan County Historical Society provided a presentation on the future use of the historic Allaire home. He explained that the Allaire home is going to be vacated and the Historical Society, in seeing a potential opportunity, wanted to form a Committee to take a look at the feasibility of operating the home as a historical resource to use for various functions. City Manager McNeil stated that Commissioner Crandall agreed to serve on the Committee along with members of the Historical Society and himself, to do some research on the feasibility of operating the home for functions and to keep it open as a historical resource.

- **Regular Meeting of the Downtown Development Authority – November 7, 2006**

City Manager McNeil stated that the DDA approved quotations for repainting downtown trash receptacles and reviewed the actions of the City Council relative to snowmobile access to the downtown area. He noted that Downtown Enhancement Administrator Kirsten Guenther has been

assigned the responsibility of signage and marketing the downtown area. The DDA Board also agreed to review the recommendations of the blueprints and their priorities as they were set approximately one year ago, and will likely have that review sometime after the first of the year. City Manager McNeil reported that he distributed copies of a draft Recreation Plan as the DDA is a stakeholder in the Plan relative to construction of a foot bridge.

Councilman Charboneau moved to adjourn for a five minute recess at 8:33 p.m. Seconded by Councilman McCauslin. Motion carried unanimously. The meeting reconvened at 8:35 p.m.

General Business

- **Consideration of 2006-2007 First Quarter Budget Revision**

City Manager McNeil provided a report on the proposed 2006/2007 first quarter budget revision. He noted that with regards to the General Fund, a reduction in anticipated revenues is projected both from property taxes and State shared revenues and that has been an adjustment based on last year's experience. City Manager McNeil commented that fortunately, those will be able to be offset by some increases in anticipated interest earnings. He added that interest rates are back up and Clerk/Treasurer Kwiatkowski is doing a good job of rotating our investments and maximizing our return. City Manager McNeil stated that with regards to the Local Street Fund, the original budget that was adopted failed to include a 1996 street debt service. He explained that most of the debt service bonds are ten year issues and when he reviewed the 1996 bond, he assumed the bond was paid off in 2006 during the last budget year, when in fact, the debt service bond is a fifteen year issue so there are five more years of payments, which has been included in the budget revision. City Manager McNeil commented that we have been able to offset those costs as a result of the reduction in the fringe rate, which was reduced by implementing the Priority Health Insurance program for the police and non-union personnel. City Manager McNeil also noted an appropriation toward the City's membership in the Northern Lakes Economic Alliance of \$3,500 and that also as stated in the public hearing report for the water system grant, he changed the expenses of the Water System Fund to indicate a debt service in anticipation of issuing bonds for match funding. Otherwise the budget should reflect that which was adopted by Council in June 2006. Councilman McCauslin referred to the Equipment Replacement Plan commenting that Council will be discussing a request for bids on a 2007 patrol vehicle. He asked if that is the planned police vehicle for 2008. City Manager McNeil stated that does not appear on this plan any more and has been taken off. He explained that the practice has been to replace police vehicles every two years and the Equipment Replacement Plan is meant to be a future planning document so the budget itself proposes the 2006 purchase.

Councilman Tebo moved to approve the 2006/2007 First Quarter Budget Revision. Seconded by Councilman McCauslin. Motion carried unanimously.

- **Consideration to Take Bids for a 2007 Two-Wheel Drive Sport Utility Type Patrol Vehicle for the Department of Public Safety**

City Manager McNeil stated there is a budget appropriation for \$35,000 for the purchase of this vehicle and he recommends proceeding with the bid process. Councilman Charboneau commented on the cost of the vehicle and utilizing the state pool. City Manager McNeil indicated that Chief Jones will try to utilize those if he can.

Councilman Tebo moved to approve the taking of bids for a 2007 two-wheel drive sport utility type patrol vehicle for the Department of Public Safety. Seconded by Councilwoman Riddle. Councilman

McCauslin requested that the invitation to bidders state that bids should meet or exceed minimum specifications as this issue has come up in the past. Council agreed. The motion was amended to approve the taking of bids for a 2007 two-wheel drive sport utility type patrol vehicle for the Department of Public Safety with the revision of the advertisement to meet or exceed the minimum specifications.

Yes votes: Council Members Lepp, Tebo, McCauslin, Muschell and Riddle

No Votes: Councilman Charboneau

Motion carried.

- **Consideration of Opera House Management Agreement**

City Manager McNeil stated that the time for renewal of the Opera House Management Agreement has elapsed. The proposed agreement before Council is virtually the same as the previous agreement with the exception of paragraph 23 with regards to insurances. He explained that previously, the agreement provided for liability of the Arts Council to be placed against the City's insurance policy and we have since found that cannot be done. The Arts Council, in so far as their activities of management of the Opera House, must have their own liability coverage and the new agreement reflects that requirement. City Manager McNeil commented that the City attorney has reviewed and approves of the proposed agreement. He added that he recommends approving the management agreement for another five year period.

Councilwoman Riddle moved to approve the execution of the Opera House Management Agreement by the Mayor and Clerk/Treasurer effective for a period of five (5) years from this date. Seconded by Councilman Tebo. Motion carried unanimously.

- **Consideration of Amendment to Snowmobile Route Expansion on City Streets for 2006/2007 Year**

City Manager McNeil referred Council to a report and recommendation from Chief Jones that would add more snowmobile routes. Councilwoman Riddle commented that City Manager McNeil provided a report on the DDA Board, asking what kind of feedback was given regarding the extension of the snowmobile route within the downtown area. City Manager McNeil replied that the DDA was pleased with the proposed expansion and he has received a lot of positive feedback from downtown business owners and people in general. The concern and most of the discussion revolved around the actual ability to keep snow in some areas that will be difficult even though they will be left open. Additionally, the DDA discussed the ability to have marketing signage on the trail to direct people downtown as well as regulatory signage to get people around the area. City Manager McNeil stated that Downtown Enhancement Administrator Guenther provided some examples of sign material that she intends to purchase to put directional and downtown information on, knowing that these signs will be temporary because this is only a one-year trial basis. Chief Jones stated that since the amendment of the last meeting, there have been a few phone calls from area businesses that felt they may be left off the trail area so he is recommending the addition of Huron Street from Pine Street to Court Street; Court Street from the DNR trail to Huron Street; and Water Street from Division Street to East State Street. Chief Jones commented that Huron Street will have no parking along the west side most of the winter. He noted that trail groomers met last week and although he has not heard for certain, the representative was quite positive they would extend their grooming operation to cover the area. City Manager McNeil commented that the groomers are covered under the State liability insurance and the State will only cover activities on the State trail itself, therefore

the groomers will not be able to regularly groom our local route. Chief Jones added that another option is that the groomers have an old machine they might be able to allow the City to use.

Councilman McCauslin moved to approve the snowmobile route amendment for expansion of City streets for use in connection to the DNR snowmobile trail for 2006/2007 on a trial basis. Seconded by Councilman Tebo. Motion carried unanimously.

- **Consideration of Holiday Gift Certificates for City Council, Employees and Boards & Commissions**

Clerk/Treasurer Kwiatkowski explained that last year a \$15 gift certificate at Glens Market was provided to Council, Board, Commission members and employees toward the purchase of a turkey or ham during the holiday season.

Councilman Charboneau moved to approve \$15 holiday gift certificates for the City Council, employees and Boards and Commission. Seconded by Councilman Tebo. Motion carried unanimously.

City Clerk's and Treasurer's Comments

There were none.

City Manager's Report

- **Operation Fund Projection (General Fund, Major & Local Street Funds)**

City Manager McNeil clarified that the agenda should read Operation Fund Projection rather than Operation Fund Project. He stated one of the goals that he indicated to Council he wanted to accomplish this year was to refine this projection. In other words, try to refine the projection data as best he could to provide the best possible look into the future with regard to the financial liability of the General Fund and the Major and Local Street Funds. City Manager McNeil explained that the reason the General Fund and the Major and Local Street Funds are put together is that the Major and Local Street funds are separated because the City receives revenue from the State but those State revenues are not enough to cover the expenses of street maintenance so it is supported by the General Fund. Therefore, for all intent and purposes, these are one fund. For that reason, he projects what the debt will be in the future based on street surface replacement and anticipated equipment needs, what payroll and fringe benefit costs will be, as well as what retiree health benefits, utilities and insurance will cost. Also projected, are revenues to those funds, and from that, the anticipated costs of utilities, insurances, payroll and fringe benefits, and retiree health insurance are deducted, leaving Operating Funds or in other words what is left over after expenses are paid. City Manager McNeil stated that based on that projection, Council will see going forward on the graph, the current budget year and then Council will note a sideways movement at best for the next four years, and then an extreme downward movement after that. He commented that he and the department heads are taking a look at any means possible to reduce costs and add buying capacity to that Operation Funds amount. City Manager McNeil recommended that Council set a special meeting so that he can go over all the calculations and thoughts behind the projections so that Council can understand and have confidence with the projections, and from there decide on a course of action. He added that preliminary discussions on a department head level will take a look at cost cutting and revenue enhancing measures. Ultimately what recommendations might come forward probably should include some considerations at a Committee level of Council. City Manager McNeil noted that it may be advisable that a couple members of Council join a Committee with the Department Heads to be involved in

these discussions and considerations for cost cutting and revenue enhancement, but first of all, it is his recommendation to set a special meeting so that he can present how this projection is calculated. Councilman McCauslin asked what timeframe would be recommended for the special meeting. City Manager McNeil replied any time, adding that if we decide we believe in this projection then we have eight months to come up with some things to react. Councilman McCauslin asked if possibly setting a date for a special meeting after the new year would be realistic for all parties involved because this is a hectic time of year for all involved. City Manager McNeil stated that would be fine and would actually give himself and the department heads some time to work this over some more and make some recommendations.

Councilman Tebo moved to set a Special City Council meeting for January 16, 2007 at 7:00 p.m. to discuss the Operating Funds Projection. Seconded by Councilwoman Riddle. Motion carried unanimously.

- **Water System Capital Improvement Plan Update dated November 3, 2006 by Wade Trim, Inc.**

City Manager McNeil stated that in the plan of action relative to water quality and the water system, one of the issues we have engaged Wade Trim and staff to assist with is the development of a capital improvement plan for future replacement and upgrades to the water system. He referred to a report that outlines the proposed water main replacements, abandonments, and water meter replacements primarily lumped into the year 2009. By way of listing these replacements the engineers are recommending a significant capital replacement project for the year 2009, which we may or may not want to do, and then some other minor initiatives including a new elevated storage tank in 2011 to follow. After that Council will find some calculations relative to borrowing money based on the estimated cost of that large 2009 project. City Manager McNeil commented that at least to be considered in that matter, Council will note the estimated cost of \$2.67 million. He explained that he has done calculations on his own because the engineers break these down based on residential equivalent unit costs and the City bills based on water consumption per 1,000 gallons. City Manager McNeil stated that if we were to project an annual payment to a rural development loan as they have in the amount of \$108,761 that is a forty year loan term at 2.5% interest. He commented that in his estimation the City would have to increase water rates about 65 cents which is just under a 30% increase, to fund that project based on that type of financing. If funding through the DNR Drinking Water Revolving Fund is considered, the interest rate is lower but the payback period is shorter resulting in having to increase water rates by approximately \$1.05. City Manager McNeil noted that the current rate is \$2.58 per unit. Additionally, an evaluation was done with regards to the City's ability to obtain federal grant funding to do a project like this. Their criteria is that the water bills have to be greater than 1.5% of the median household income which is \$25,000 per year and 1.5% of that comes to a monthly water charge of \$31.29 on average. City Manager McNeil commented that the City is below that threshold and does not appear to qualify for that program. Councilwoman Riddle asked if this information and this projected plan for 2009 included in the Operating Fund Projection that City Manager McNeil did. City Manager McNeil replied that this information is not included and is just with regards to the water system which stands alone and is separate. He added that the engineers are recommending the forming of a Committee to include members of Council, citizens at large or whatever is needed if a program like this is to be undertaken and that a public relations campaign be initiated. City Manager McNeil stated that in so far as considering whether or not the City wants to proceed with a large project like this and what is involved with allocating capital costs over a period of years, a pay as you go alternative is another option that the City has.

Councilman McCauslin referred to the third paragraph under Capital Improvement Plan that says additional stretches of alphabet streets, Duncan Avenue and Main Street will not be covered under the CDBG grant project. He asked if a map that has those areas highlighted could be provided such as those provided with the CDBG grant. City Manager McNeil indicated that information could be provided. He commented that Harrison Avenue is not listed on here and other than Duncan Avenue and the alphabet streets that are being taken care of, Harrison Avenue is probably the next highest source of complaints the City receives and needs to be included on here. That is likely a \$300,000 project, so given that, we might be able to get a \$3 million project based on these estimates.

- **Blight/Nuisance Enforcement**

City Manager McNeil stated that as priorities of the Strategic Plan, the Blight Ordinance was upgraded and refined and Council will have before them at the next meeting, consideration to adopt the Property Maintenance Code. He added that now we come to the enforcement measures on the heel of adopting those ordinances. City Manager McNeil commented that he asked Chief Jones to develop a plan on how that would be done. He noted that we also have recommendations from the Planning Commission relative to their study of entrance corridors, adding that the study of entrance corridors also came from the Strategic Plan. One of the recommendations from the Planning Commission is that blight enforcement should take place as a priority along the entrance corridors so Chief Jones has included that in his plans for enforcement. City Manager McNeil deferred to Chief Jones for a report on what his plans are for enforcement. Chief Jones stated that the outline he provided advises Council that in the next few months, officers will be assigned and working in specific areas which has been done in the past in some of the other ordinance enforcement. He explained that officers will identify and document violations with photographs and make initial contact with the property owners; provide the property owner or tenant with a timeframe to correct the violation; file ordinance violation complaints, and check the condition to make sure correction has been completed, and if not issue a citation. City Manager McNeil stated that he and Chief Jones are also discussing time frames and information that would be put into a progress and status report. He expects at a minimum that those progress and status reports would be provided to Council on a quarterly basis although they may come to himself and Chief Jones on a more frequent basis.

- **EPA Brownfield Assessment Grant Funds Update**

City Manager McNeil stated that by way of update on the City's involvement in the EPA Brownfield Assessment Grant Funds, a request for proposals from consultants will go out tomorrow. A review team comprised of himself, County Administrator Overton, and Staff Member Lisa Fought from the Northern Lakes Economic Alliance will be reviewing the proposals and providing a recommendation to the County Board of Commissioners that is planned for their first meeting in December. At that time, hopefully the team will have identified and approved a consultant that will begin the process of identifying sites or at least identifying potential sites of contamination that may be subject to study in the future both within the City and throughout the County, and providing information on that as well to the City Brownfield Authority.

- **Zoning Board of Appeals Vacancies**

City Manager McNeil stated that with the election of Councilwoman Lepp, she now has to resign her position on the Zoning Board of Appeals. He explained that the law is very clear in that only one member of the City Council can serve in that capacity. City Manager McNeil commented that there are now two vacancies on the Zoning Board of Appeals which is not a good situation, therefore recruitment of potential members is needed.

Messages and Communications from Mayor and Council Members

There were none.

Adjournment

Councilman Charboneau moved to adjourn the meeting at 9:13 p.m. Seconded by Councilman McCauslin. Motion carried unanimously.

Mayor James Muschell

City Clerk Kenneth J. Kwiatkowski

Councilman Scott McCauslin

Councilman Gerald R. Boardman

Councilwoman Winifred L. Riddle

Councilman Charles Charboneau

Councilman Leslie A. Tebo

Councilwoman Theo Lepp