

SPECIAL CITY COUNCIL MEETING
September 16, 2009

The Special City Council Meeting was called to order by Mayor Sangster in the Council Chambers in the City Hall at 5:00 p.m. The proceedings were as follows:

Present: Council Members Couture, Bronson, Lepp, Kopernik, Sangster, VanFleet and Jewell

Mayor Sangster stated that the purpose of the Special City Council meeting is consideration to allow The Brook of Cheboygan, Inc.” to connect to City water and sewer.

Mr. Bill Carey introduced himself and commented on a meeting with City Manager McNeil, Mayor Sangster, and Inverness Township Clerk Jean Beethem regarding The Brook facility. Mr. Carey stated that he believes the best solution for all involved is for the facility to be able to connect to City water and sewer and would like to come to terms this evening to be able to do that. He commented that all possible options have been explored including a well and septic system and connection to the Township portion of the sewer system. Mr. Carey stated that he would like Council to consider allowing connection and payment of a usage fee that would be a premium charge in addition to a cash stipend for connection to both water and sewer services. He noted that connection fees were discussed and the \$85,000 fee per service the City proposes seems high in his view. Mr. Carey commented that he has a slightly lower figure on the hook up fees and his civil engineer is here to provide a formula for consideration. He reiterated that he is most interested in reaching an agreement this evening and bringing the issue to closure.

Ms. Sara Ross, Civil Engineer, explained the calculation of \$4,500 per REU or approximately \$65,000 over a 15 year period. She also explained the City’s tap fee of \$9,120 at \$600 per REU. Mayor Sangster provided background information on how the numbers were derived explaining that \$7,700 was used by Inverness Township but the number he would use to start this would take into consideration that the facility is saving \$25,000 a year in lower property taxes. He added that Council is here to represent the interests of the City. Mayor Sangster noted that regardless of the amount, he would like to see all the funds specifically allocated to the Water & Sewer Funds rather than a portion to the General Fund.

Discussion was held regarding a transfer from the General Fund to the Water & Sewer Funds. City Manager McNeil commented from an administrative standpoint that he would like a well thought out direction from the City Council because once the revenue goes into a particular fund it is a good idea to remain there rather than being transferred back and forth. Mr. Carey commented that he agrees with and understands Council’s responsibility to represent the best interests of the City and the revenue the City is giving up by not having the facility within the City limits. He noted all that is being asked is that Council balances that interest against being fair to the development. Councilman VanFleet requested clarification on what happened with Inverness Township in terms of annexation or not annexing the property through a 425 Agreement. City Manager McNeil explained that Inverness Township was provided estimates on the value of the incentives that would be offered to The Brook and officials were aware of the other things the City was trying to do to facilitate this development. Discussion was held regarding The Brook development, hiring practices, and usage fees for water and sewer. Also discussed was The Brook’s proposed \$65,000 per service connection as opposed to the City’s proposed fee of \$85,000 for each service. Councilman VanFleet commented on public concern over The Brook being able to utilize City services without paying City taxes.

Discussion was held regarding City tax revenue versus \$170,000 in connection fees. Councilman Jewell asked why the 425 agreement fell through. Mayor Sangster stated that the City would not receive any of the benefits, and that was based on negotiations between Inverness Township and the City of Cheboygan. City Manager McNeil commented in addition to that with the incentives given to the facility, the City would have been 12 years just getting back to even. Councilman Jewell commented that he feels the premium for water and sewer and cash value that The Brook would be paying is fair because of the amenities the City offers that The Brook would not receive because of their location outside the City limits. Councilman Bronson conveyed his concerns with allocating funds to the Water and Sewer Funds rather than the General Fund, not allowing time for the public to provide input on the matter, apprehension that a precedent would be set, and that future development would be outside the City limits. Discussion was held regarding allocating funds to the Water and Sewer Funds as well as services The Brook would not be receiving that are derived from the General Fund such as police, fire, street maintenance and others. City Manager McNeil clarified that Council has the flexibility of putting funds into the General Fund or the Water & Sewer Funds and that the Mayor is providing his recommendation for the Water & Sewer Funds. He added that he also feels that allocating the funds to the Water & Sewer Funds has validity.

Discussion was held regarding benefits to Inverness Township as a result of The Brook development. Mayor Sangster noted that if The Brook were to connect to City water and sewer, the Township would not receive any sewer reduction, tap in fee or the equivalent of 2 full mills the City would have provided. The Township only benefits from the addition of the facility within their Township. Councilman Jewell commented on the uniqueness of the situation in that the development is literally within feet of the City limits and connection to services. He questioned if similar situations would be presented in the future at the other corners of the City limits. City Manager McNeil referred to the Snow Apple Court development in the 1960s that does have water service without being annexed noting that this particular condition or agreement is not unusual in the State of Michigan. Discussion was held regarding new development outside and inside the City limits, the potential for new jobs, and positive economic impact. Discussion was also held regarding revenue to the Water & Sewer Funds, aged water mains, increases in water rates, lack of available grant funding, and opportunity for \$85,000 into each Fund from The Brook development. City Manager McNeil explained that the water system is primarily funded by the rates and charges that are applied as well as any grants that are received. Councilman Jewell asked if money could be taken from the General Fund and put into the Water System. City Manager McNeil indicated that is not something he would advocate.

Council discussed at length the advantages and disadvantages of allowing The Brook to connect to City water and sewer services. Also discussed was the establishment of an ordinance or policy that would regulate this in the future.

Ms. Janet Gahn questioned if the proposed \$85,000 fees for water and sewer connection include tap in fees for both services. It was noted that the \$85,000 fees for water and sewer connection include the \$9,100 tap in fees for each service.

Mr. Ray Lofgren commented on the Mayor's recommendation to Council to allow connection to City water and sewer services by The Brook. He indicated he would like the record to be clear whether City Manager McNeil recommends that the City of Cheboygan allow connection to water and sewer services without annexation through a 425 Agreement with Inverness Township. City Manager McNeil indicated that he would submit that this is a political and policy decision and that it is not a management decision. Mr. Lofgren explained his concerns in detail, including time constraints in

reviewing the information, apparent rush for a decision on the matter, the interests of Inverness Township stakeholders particularly in the DDA District regarding the Inverness Sewer debt reduction, and the sewer line project on South Western Avenue put in place by City taxpayer dollars.

A lengthy discussion was held regarding the merits of a 425 Agreement. City Manager McNeil stated in his opinion the City should gain annexation agreements and that the surrounding Townships should realize how important the City of Cheboygan is to the rest of the surrounding area. Mayor Sangster commented that 425 Agreements are ultimately the answer but there is a large advocacy regarding the debt reduction within Inverness Township officials and annexation in general. He explained the negotiations and options that were offered.

Councilman Jewell moved to allow The Brook facility to connect to the City of Cheboygan water and sanitary sewer system with a charge in lieu of annexation or other property tax sharing agreement with Inverness Township in the amount of \$85,000 to allow Connection to the City sanitary sewer and \$85,000 to allow connection to the City water system. Also an additional twenty percent (20%) added to usage fees for water and sanitary sewer due to The Brook being a non-City taxpayer. Additionally, the revenue would be allocated to the Water and Sewer Funds. Seconded by Councilman Kopernik. A roll call vote was taken. Motion carried unanimously.

Adjournment

The meeting adjourned at 6:12 p.m.

Mayor Richard B. Sangster

City Clerk Kenneth J. Kwiatkowski

Councilman Nicholas C. Couture

Councilman William K. Jewell

Councilwoman Theo Lepp

Councilman Mark Bronson

Councilman Michael J. VanFleet

Councilman Roger Kopernik