

**PROCEEDINGS
OF
CITY COUNCIL
OF THE
CITY OF LOWELL**

For the Regular Meeting of TUESDAY, **JANUARY 16, 2007.**

The Meeting was called to order at 7:30 p.m. by Mayor Myers and the City Clerk Betty Morlock called Roll.

Present: Councilmembers Hodges, Pfaller, Shores, Mayor Pro Tem Mathews and Mayor Myers.

Absent: None.

Also Present: City Manager David Pasquale, City Clerk Betty Morlock, DPW Director Dan DesJarden, City Treasurer Sue Olin, Planning Commissioner Mark Mundt, Lowell Light and Power/Cable TV General Manager Tom Richards, and Lowell Light and Power/Cable TV Boardmembers Dave Austin, Perry Beachum and Jim Maatman.

IT WAS MOVED BY SHORES and seconded by PFALLER to approve the minutes of the January 2, 2007 regular and closed session meetings as submitted.

YEA: 5. NAY: 0. ABSENT: 0. MOTION CARRIED.

IT WAS MOVED BY PFALLER and seconded by HODGES that the bills and accounts payable be allowed and the warrants issued.

YEA: Councilmembers Hodges, Pfaller, Shores, Mayor Pro Tem Mathews and Mayor Myers.

NAY: None. ABSENT: None. MOTION CARRIED.

| <u>BILLS AND ACCOUNTS PAYABLE (01/16/07)</u> | |
|--|-------------|
| GENERAL FUND | \$96,124.84 |
| MAJOR STREET FUND | 6,181.27 |
| LOCAL STREET FUND | 8,540.00 |
| HISTORIC DISTRICT FUND | 1,165.00 |
| DDA FUND | 344.32 |
| AIRPORT FUND | 4,967.52 |
| WASTEWATER FUND | 29,843.96 |
| WATER FUND | 3,830.86 |
| DATA PROCESSING FUND | 672.29 |
| EQUIPMENT FUND | 2,748.16 |
| CURRENT TAX FUND | 137,620.24 |

Item #1. **UPDATE ON THE LOWELL AREA HISTORICAL MUSEUM.** Executive Director of the Lowell Area Historical Museum Judy Straub, thanked the City Council and citizens of the community for their support of the museum. Straub read a letter into record from an individual associated with the Grand Rapids Public Museum. The letter was submitted to the State of Michigan and a grant was received as a result. Straub read a portion of the letter as follows: "This

small museum in rural Kent County is an example of exactly what small museums should be with professionally developed exhibits and programs dedicated to the history of their community. As a testament to that quality, the Lowell Area Historical Museum has had the honor of being awarded the 2002 Community Achievement Award from the Department of History Arts and Cultural Affairs. This is a project that significantly enhances the quality of life for the community. I have had the opportunity of working with this museum and its director for the past 12 years and can speak to the dedication of its staff and volunteers to produce top quality exhibits, programs and services with very limited financial resources. Over the years, they have been endeavored to preserve and present the history of their community with their "keeping history alive" programs and exhibits. They have managed to elevate their overall program to meet what would be considered best practices in the museum field and in many cases, even surpass standards being met by much larger and well established museums".

Straub noted 2006 was a milestone year in the history of Lowell, marking the 175th anniversary of the community. The museum played an active role in helping commemorate this milestone.

Straub said the total attendance from last year has increased significantly. This is primarily due to the traveling exhibits. The museum programs are made possible due to the involvement of over 50 and providing more than 4,100 hours of volunteer service. Straub stated the upcoming year will include an additional traveling exhibit, entitled "Ghost Towns of the Lowell Area".

Mayor Myers questioned the grant funding asking "are there any concerns about the continued availability of grants?" Straub responded the museum is very fortunate this year. This was the fourth time she applied to the Michigan Council for Arts and Cultural Affairs and the first time she received a grant for \$10,500.

Myers inquired if the museum was working toward any type of endowment fund. Straub responded the museum does have an endowment fund. When the organization first began, a fund was dedicated for the ongoing of this organization. The museum was able to take \$50,000 and start an endowment fund at the Grand Rapids Community Foundation this past year.

Councilmember Shores congratulated Straub on the book published regarding the museum.

Item #2. **MULTI YEAR FINANCIAL FORECASTING MODEL – CONSIDERATION OF PROJECT.** Two proposals from accounting firms have been submitted for a multi year financial forecasting model which will more adequately address financial priorities of the City on a long term basis. This would include the General Fund as well as the Equipment and Streets Funds. John Kaczor of Rehmann Robson gave a presentation on the proposal during the January 2 meeting.

A proposal was provided from Rehmann Robson. In total, \$13,950 allocated amongst the respective funds would be charged in professional fees. City Manager Pasquale also received a proposal from Plante Moran to provide a similar service. This firm's costs were estimated to range from \$9,500 to \$13,500.

Pasquale consulted with Steve Thompson of Biggs Hausserman regarding his opinion on the

proposals. He felt both were equally qualified and costs would be comparable. Pasquale contacted several of Rehmann Robson's references and recommended this firm based on the completeness of the request for proposal and responsiveness.

Mayor Myers questioned the content of the proposal. It reminded him of the proposal regarding the energy savings project where it was decided to use the expertise of staff which would provide a significant savings. Pasquale believed the study would be very helpful for staff. He did not believe the end result would be an increase in taxes.

Councilmember Pfaller agreed with Myers. He believed staff could provide such information. It did not make sense to pay another individual to place such information on a spreadsheet.

Mayor Pro Tem Mathews questioned if this was a project which could be done in house. Pasquale did not believe this could be done in as detail as what was proposed.

Councilmember Shores did not doubt the competency of the staff. She noted staff is busy. Shores questioned if staff had time to do this in depth as what is proposed.

Myers believed this is a long range planning process and takes into consideration outside economic factors as well as what areas within the community can we grow our tax base to increase the revenues. Myers was concerned with the amount of energy which would be spent bringing a consultant up to speed and educating them regarding the City.

Councilmember Hodges inquired how the amount of \$13,500 would be paid. Pasquale responded the amount is paid during the first year. Hodges was not in favor of the proposal submitted by Plante Moran. Hodges agreed with Myers and believed staff could continue to handle the project. Myers stated this can be a work in progress. It does not need to be done overnight.

IT WAS MOVED BY HODGES and seconded by MATHEWS to not approve the project to create a Multi Year Financial Forecasting Model through the assistance of an outside firm.

YEA: 4. NAY: 1. (Shores) ABSENT: 0. MOTION CARRIED.

Item #3. **2005 – 2006 AUDIT PRESENTATION.**

- A. City of Lowell. Steve Thompson of Biggs, Hausserman, Thompson and Dickinson provided a report of the firm's findings on last year's accounts and records. The independent auditors report indicates the firm has audited the financial statements. He noted the company did not audit Lowell Light and Power/Cable TV.

The firm conducted the audit in accordance with auditing standards generally accepted. Thompson noted it is the firm's opinion, these financial statements referred to present fairly, in all material respects, the respective financial position of the City of Lowell and the results of operations for the year ending June 30, 2006. This is a clean opinion with no exceptions.

Thompson referred to the General Fund. It shows the revenue from the past year was approximately 2.5 million dollars, expenses were approximately 2.1 million dollars and transfers totaled \$350,000. The General Fund had excess revenues of approximately \$10,000. The City increased the fund balance by \$10,000 from \$30,000 to \$40,000, which is an improvement from the previous years. However, this is still low for the General Fund totaling 1.5 percent of the expenditures. It is ideal to at least have one month's worth of expenditures in the fund balance.

The revenues are flat and are within \$3,000 of last year. The expenditures are down approximately \$200,000. Thompson noted this is due to the purchase of a fire truck from the prior year as well as new police cars. This is why there is a major reduction in the expenditures.

The other governmental funds include the Major and Local Street funds which are both quite low. The Local Street Fund basically does not have any fund balance and the Major Street has approximately \$30,000. A major expenditure this year for the Local Street Fund includes the improvements to Grindle Drive, while a great amount of the expenditures for Major Street Fund was from the Gee Drive improvements, which took place after the end of the year.

The other funds include the Capital Projects (City Hall, Library bonds), Debt Service, and the Cemetery Perpetual Care Funds. Thompson referred to the Enterprise Funds. He noted Lowell Light and Power/Cable TV were included in this fund. Thompson commented on the Wastewater and Water Funds. The Sewer Fund had a \$152,000 loss this year. However, this was better than last year's loss. The Water Fund had a \$175,000 income. The new rates had just taken effect at the end of the year and should help improve the situation for the upcoming year.

Mayor Myers questioned the total assets of approximately 21 million dollars for the Wastewater, Water, Airport, Cable TV and Light and Power Funds. Liabilities bring the net assets down to approximately 12 million. Myers questioned what is included in the amount of \$31,669 under Governmental Activities. Thompson responded this is the Equipment Fund and Data Processing Fund. City Treasurer Suzanne Olin explained these funds earn money from other funds.

Thompson reviewed the comments and recommendations letter. He recommended the Treasurer and the accounting department do a better job of reconciling some of the major balance sheet accounts. There have been some problems reconciling cash accounts. Previously, the City had an Investment Fund which provides a way of reconciling all of the cash accounts when the cash was placed in a common bank account. He recommended this be reinstated.

Thompson also believed it would be appropriate to reevaluate many standard journal entries to ensure these are appropriate.

New auditing standards will be required within the next few years. Nothing major is

anticipated but will include procedural changes, such as approving a draft financial statement.

- B. Lowell Light and Power and Cable Television. Peter Haefner of Vredeveld Haefner presented his firm's findings for the Light and Power and Cable TV accounts for the year ending June 30, 2006. The firm provided the highest audit opinion which can be received. He noted the financial statement presents fairly, in all material respects, the results of operations and financial position of the Lowell Light & Power and Cable Television.

Haefner stated there was discussion with management regarding the activity on Bowes Road as well as the acquisition of the Newell building and some of the refurbishment which occurred with the building.

Cable TV was very flat from the perspective of the operations for the year audited. It showed revenues were consistent with the previous year as well as expenditures. However, when reviewing Lowell Light and Power, there is a trend of significant revenue and expenditure increases. This is being driven by the cost of energy, which drives the cost of power being purchased.

Haefner presented statistics and stated Lowell Light and Power's operations are approximately two times the size of the General Fund. Purchase power of the past three years increased from \$3,000,000 to \$3,250,000 to approximately \$3,600,000 last year. The cost of power is rising and is driven by distribution costs as well as the cost of coal. From the perspective of distribution cost, it is straight across from year to year and is less than \$500,000. Customer service cost is approximately \$500,000 straight across and depreciation is fairly consistent from year to year. As some of these projects are completed, one would see depreciation increasing. Depreciation is approximately \$500,000 per year.

The generation cost from year to year are fairly consistent as well. This is a very small portion of the operation and is a requirement of MPPA (Michigan Public Power Agency) in which Lowell participates. It is important to understand there is no asset on the City's books for the MPPA. This asset, under generally accepted accounting principle, is not recorded on the books because one would not have the ability to sell this asset.

Haefner noted Lowell Light and Power and Cable TV experienced a loss in both funds the last few years. In 2006, Lowell Cable TV reported a small net income and Lowell Light and Power reported a fairly significant loss of about \$350,000. This is the result of the cost of power and the fact the rates, since these are increasing, have not kept up with power. It is important to keep the rates consistent with the cost from year to year.

The internal controls of the operation have been reviewed and discussed with staff. It is very distinct and different from the City's operation from the perspective an entirely different accounting system is used as well as a different system of collecting cash and billing. The firm has identified a more efficient way of accounting for capital assets.

Discussion has been held with regard to allocating cost differently. This would provide more information associated with the cost of generation and some of the components within the operations of Lowell Light and Power. Also, there was discussion regarding the new accounting principal which needs to be implemented. This is in regard to post employment retirement benefit costs, covering health insurance on retirees. This cost will need to be recorded on the books in the future.

Mayor Myers introduced the Lowell Light and Power Board as follows: Chairman Dave Austin, Jim Maatman, Perry Beachum, Al Mathews (Council representative) and General Manager Tom Richards. Myers thanked the board for being present.

There was no further discussion.

Item #4. **LOWELL LIGHT AND POWER TREE TRIMMING – FUNDING REQUESTED FROM CITY.** DPW Director Dan DesJarden stated Lowell Light and Power has implemented a tree trimming program. The northwest side of the City has recently been reviewed. Nineteen trees were identified which are in need of trimming. Seven of these trees are within the Kent County Road Commission right of way, while 12 lie within the City right of way. It is necessary to trim these trees in order to avoid power outages as well as providing a safer environment when work is being done to the power lines.

Lowell Light and Power questioned if the City wished to participate in the funding of the project. The question posed would the City wish to have the trees completely removed versus just topped off? DesJarden believed the trees should be removed.

Councilmember Hodges stated it was radical and excessive to remove these trees. He believed some needed to be trimmed as opposed to being cut. He was not in favor of the idea.

Mayor Myers questioned 423 Howard Street. The cut line of the tree appears to be above the wires. DesJarden thought the line shown below the cut line was telephone and cable wires.

Councilmember Pfaller stated he has been a vocal opponent to Lowell Light and Power's tree trimming policy from this past summer. He concurred with Hodges, the program is too aggressive. It is a balance between aesthetics in the community and the safety for workers and citizens as well as reliability for the utility. The proposed trimming was too aggressive.

Councilmember Shores questioned why the trees could not be trimmed. Richards explained some trees can be trimmed. However, those which have not been trimmed routinely have grown to the point where they are close enough to the power lines and would not maintain the industry standards of a minimal 10 foot clearance by simply trimming the tree. He understood the personal feelings regarding a discomfort level. However, if the City will set standards of safety and reliability based upon a gut feeling as opposed to industry standards of what is determined to be safe, it puts Light and Power and its citizens in jeopardy. If the trees were properly trimmed from the beginning, the City would not be in this situation. It can not be ignored.

DesJarden commented on the tree located at 523 Lincoln Lake. There is actually a pole up against the tree. The pole has an extension which pulls the wire away from the trees. Richards explained this is called an alley arm. Normally, one is installed because Light and Power was not able to put a pole directly on the line. Hodges believed many of the branches directly above the power lines could be trimmed, saving a good balance of the tree.

Richards questioned if Light and Power should not follow the national standards. Hodges did not want to live by industry standards. Myers inquired if there were policing of industry standards which the City could obtain. Richards noted it is Lowell Light and Power's responsibility. The company has done their best research to find out what the standards are. He cautioned the Council, if there are going to be exceptions, it could cause a discussion regarding every single tree which is to be cut down. Richards was uncomfortable with the situation, especially if a limb falls onto a line in the middle of the night and someone gets electrocuted.

Mayor Pro Tem Mathews stated the Council has a responsibility to the employees and to the taxpayers. A balance needs to be found. He did not want to micromanage.

DesJarden recommended a policy to replant a tree for every tree which is taken down.

Hodges suggested the utilities be placed underground.

Shores believed the program was too aggressive and would favor trimming the trees.

Pfaller agreed with DesJarden. As a Council, a policy needs to be established for replacement of trees. However, replacement of the tree should be made in the same neighborhood as the one which was removed. It was noted the newly planted tree should be placed away from sidewalks. Pasquale said the City has allowed such trees to be planted on private property. Pfaller also asked if the power line is causing the need to have the tree removed, Light and Power should be responsible to pay for the removal of the tree and should not be allocated from the City's budget.

Lowell Light and Power Boardmember Perry Beachum opposed the policy and explained the board is asking the City Council if they wish to see the tree cut in such a fashion or should they be completely removed. Beachum noted a Board meeting is scheduled for January 25, 2007 at 5:30 p.m. Such individuals affected by these trees have been invited to the meeting. He would encourage all citizens to attend this meeting and voice their opinion.

Richards stated the cost requested from the City is half of what the cost is to remove the trees at the discounted and contracted rate which Lowell Light and Power receives from its contractor. It has been identified that the City will benefit. Many of these trees are heaving up the sidewalks. Many are diseased and malnourished because of the street and sidewalk as well as being larger than the ground around it.

Pfaller reiterated if Lowell Light and Power is cutting a tree to the extent it is shortening the life of the tree or kill it, then it is Light and Power's responsibility to remove the tree.

Shores was not ready to vote on this and wanted to attend the meeting which will be held on

Thursday, January 25, 2007.

Lowell Light and Power Boardmember Dave Austin clarified tonight the Board was present to inquire whether or not the City was willing to participate in funding of the removal of some trees in the City right of way. He agrees the issue regarding the policy of tree trimming is still one which has been debated many times. Austin noted the many homes in the Jackson area which are still without power because of the recent ice storm due to trees.

Austin believed a balance needs to be worked out. He like DesJarden's idea of providing a cooperative policy to replace trees over time.

Austin also noted this area is in his neighborhood as well. He has many concerns and has a true interest.

Mathews encouraged everyone to attend the meeting held on January 25, 2007.

By general consensus, the Council agreed to table the issue regarding funding and trimming of trees until the next meeting.

Item #5. **CONSIDERATION OF STREET LIGHT PLACEMENT ON GEE DRIVE**. A request from a resident was received for a street light to be placed on Gee Drive between Ridgeview Drive right of way and Creekside Park. The estimated cost for materials and labor is \$345.61. The annual cost for power will be \$75 - \$80 at the present rate. DesJarden noted many individuals walk the street.

IT WAS MOVED BY PFALLER and seconded by SHORES to authorize the funds to place a street light on Gee Drive as requested.

YEA: 5. NAY: 0. ABSENT: 0. MOTION CARRIED.

Item #6. **PROPOSED CHARTER AMENDMENTS**. Councilmember Pfaller reviewed the proposed Charter changes as follows:

- At the first meeting of the Council in January, following each City Election, the Council shall organize and elect one of its members to the office of Mayor and one to the office of Mayor Pro Tem. Currently, the Charter states this should be done in November.
- Regular meetings of the Council shall be held on the first and third Mondays of each month at a time to be determined by each Council at it's first meeting in January following a City election. Currently, the Charter states the meetings start at 8:00 p.m.
- The Council shall provide for and maintain a City Planning Commission which consists of 7 members. City Manager Pasquale stated this does not need a Charter Amendment. The reason is the Charter adopts the State Enabling Act for Planning Commissions under Public

Act 285. As it stands, the City has nine Planning Commissioners. The State Enabling Act offers an alternative. Because the City of Lowell is under 5,000, the City Council can undertake either having a Planning Commission of five, seven or nine members. If considered desirable by the legislative body of a municipality that has a population of less than 5,000, the Planning Commission shall consist of 5, 7, or 9 members, 1 of which shall be a member of the legislative body to be selected by resolution of the legislative body to serve as a member ex officio.

Pasquale noted the City has an ordinance which sets forth the number of members under Section 16-27 which states the City Planning Commission shall consist of nine members. Pasquale said such a change does not need to be a Charter Amendment. If the Council wishes to change this to seven, it can be accomplished by ordinance.

- City Electric Utility Board to be increased to five members instead of the current three.

Shores believed such changes have been discussed for some time. She would be in favor of having a seven member Planning Commission and a five member Light and Power Board.

IT WAS MOVED BY PFALLER and seconded by SHORES that the two proposed charter and one ordinance changes be sent to the City Attorney for further advancement.

YEA: 5. NAY: 0. ABSENT: 0. MOTION CARRIED.

Item #7. **MONTHLY REPORTS**. No comments were received.

Item #8. **CITIZEN COMMENTS**. Planning Commissioner Mark Mundt, 800 Bowes Road, stated the rough draft from the community survey indicated trees were a very high priority. As a resident, Mundt noted Dave Austin reaffirmed, industry standards are guidelines. There is no law or enforcement agency that will issue tickets to the City of Lowell. He noted there are plenty of trees outside the 10 foot barrier that would still hit the power lines if a limb or tree fell. He firmly believes the property values on Bowes Road have gone down dramatically as a direct result of the removal which took place. Mundt encouraged the Council to do what is necessary so this does not happen all over this community.

Peggy Covert of 982 N. Washington Street commented on the tree situation. She appreciated the explanation from Lowell Light and Power/Cable TV Manager Tom Richards as to why some of the trees are being cut down. She liked the idea of a community meeting as well as that of carvings in the remainder of the tree which had to be taken down. She appreciated the discussion and sharing of ideas to see how the community can come together and resolve these problems.

Covert requested a moratorium be placed on the North Washington Street property. She wanted the Council to determine what the recent surveys shows. There are many opinions throughout the community. Let's work together.

Item #9. **COUNCIL COMMENTS**. Councilmember Mathews received a request from neighbors of his who are new to the area regarding a left turn light at Hudson and Main Street. City Manager Pasquale explained the City has made such a request to MDOT several times. Another request can be made. DPW Director DesJarden explained the request is denied each time due to street movement of the turn lanes. He noted M21 is a State Trunkline road with secondary roads coming out into this road. Myers suggested timing of the light be altered. DesJarden responded this is currently being done and coordinated with the railroad tracks. Mathews suggested the request be made again.

Mathews noted he would be absent at the next meeting.

Councilmember Pfaller congratulated Mayor Myers on his appointment to the Library of Michigan Board Trustee.

Mayor Myers and City Clerk Morlock are working together to make the Council packets easier to follow.

Item #10. **MANAGER'S REPORT**. City Manager Pasquale reported on the following:

1. The following boards and commissions meetings minutes were provided:
 - Lowell Community Leadership Council meeting of September 21, 2006
 - Chamber of Commerce meeting of December 12, 2006
2. Bids on the purchase and removal of the pole barn on City owned property located on North Washington Street were received this past week. These were:

| | |
|---------------------------------------|-----------|
| • Canfield Plumbing and Heating, Inc. | \$12,345. |
| • Timpson Transport, Inc. | \$ 6,550. |
| • Luscious Landscapes | \$ 5,100. |
| • Risner Excavating | \$ 2,101. |

Since Light and Power funds were used to construct the building, the Board will consider these bids at their February 25 meeting.

3. Jim Serne, who served on the Lowell Airport Board since July, 1988 and has been its Chairman, passed away last Wednesday. He will be greatly missed and sympathies have been given to his family.

Item #11. **APPOINTMENTS**. By general consensus, to following individuals were reappointed to the appropriate boards as follows:

- Perry Beachum, reappointed to the Parks and Recreation Commission expiring January 1, 2010

- Mike Sprenger and Mike Larkin, reappointed to the Downtown Development Authority expiring January 1, 2011
- Sue Olin, reappointed to the Building Authority, expiring January 1, 2010
- Ray Zandstra, reappointed to the Downtown Historic District Commission, expiring January 1, 2010
- Jim Pfaller and Perry Beachum, reappointed to the Lowell Area Recreation Authority, expiring January 1, 2009
- Betsy Davidson, reappointed as an at large member, expiring January 1, 2009

Item #12. **CLOSED SESSION – PERSONNEL MATTER PURSUANT TO SECTION 8A OF THE OPEN MEETINGS ACT.**

IT WAS MOVED BY PFALLER and seconded by HODGES to adjourn into a closed session at 9:23 p.m. for the purposes of a personnel matter pursuant to section 8A of the open meetings act.

YEA: Councilmember Hodges, Pfaller, Shores, Mayor Pro Tem Mathews and Mayor Myers.

NAY: None. ABSENT: None. MOTION CARRIED.

IT WAS MOVED BY PFALLER and seconded by MATHEWS to return to open session at 9:43 p.m.

YEA: 5. NAY: 0. ABSENT: 0. MOTION CARRIED.

IT WAS MOVED BY MATHEWS to adjourn at 9:44 p.m.

DATE:

APPROVED:

Charles R. Myers, Mayor

Betty R. Morlock, Clerk