

PROCEEDINGS
OF
CITY COUNCIL
OF THE
CITY OF LOWELL

For the Regular Meeting of TUESDAY, JANUARY 18, 2011.

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

Present: Councilmembers Jeff Altoft, Maryalene LaPonsie, Andrew Schrauben, Mayor Pro Tem Sharon Ellison and Mayor Jim Hodges.

Absent: None.

Also Present: City Manager David Pasquale, City Clerk Betty Morlock, DPW Director Dan DesJarden, Police Chief James Hinton, City Treasurer Suzanne Olin, Waste Water Treatment Superintendent Mark Mundt and Light and Power Boardmember, Planning Commissioner and Parks and Recreation Commissioner Jim Hall.

Item #1. **APPROVAL OF THE AGENDA.**

IT WAS MOVED BY ELLISON and supported by SCHRAUBEN to approve the revised agenda.

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

Item #2. **APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JANUARY 3, 2011.**

IT WAS MOVED BY ELLISON and supported by LAPONSIE to approve the regular meeting minutes of January 3, 2011 as corrected.

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

IT WAS MOVED BY ELLISON and supported by LAPONSIE to approve the minutes of the closed session meeting of January 3, 2011 as written.

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

Item #3. **APPROVAL OF THE ACCOUNTS PAYABLES.** Mayor Pro Tem Ellison noted the grammatical error regarding Curtis Dry Cleaning.

IT WAS MOVED BY ELLISON and supported by LAPONSIE that the bills and accounts payables be allowed and the warrants issued.

YEA: Councilmembers Altoft, LaPonsie, Schrauben, Mayor Pro Tem Ellison and Mayor Hodges.

NAY: None. ABSENT: None. MOTION CARRIED.

<u>BILLS AND ACCOUNTS PAYABLE (01/18/11)</u>	
GENERAL FUND	\$45,876.07
MAJOR STREET FUND	23,485.62
LOCAL STREET FUND	127.79
DDA FUND	2,912.52
AIRPORT FUND	1,505.76
WASTEWATER FUND	153,550.82
WATER FUND	8,884.55
EQUIPMENT FUND	2,503.60
CURRENT TAX FUND	3,258.13
LOOK FUND	4,500.00

Item #4. **CITIZEN COMMENTS FOR ITEMS NOT ON THE AGENDA.** No comments were received.

Item #5. **OLD BUSINESS.**

- a) Streets, sidewalks plan – work session scheduled for Monday, January 31.
- b) Wastewater Treatment update – To schedule door to door survey to determine where sump pumps are. Certified mail has been sent to a list of residents who the City knows are pumping ground water. Ads in the Ledger, Buyers Guide, Cable TV and City web site was provided.
- c) Amphitheater renovations – Parks and Recreation Master Plan update completed and approved by the State to qualify for grants assistance. A survey delineating ownership has also been finished. A design charette (getting citizen input) for riverbank improvements was carried out on Thursday, January 13. At the Downtown Development Authority meeting held on January 13, the Boardmembers continued discussion regarding future development of this property.
- d) Website upgrade – ten website proposals have been received. A committee meeting for review is planned for Wednesday, January 19.
- e) Consumers Energy – sidewalk report – under review.

Item #6. **GRAND RAPIDS COMMUNITY COLLEGE – COLLECTION OF SUMMER PROPERTY TAXES FOR 2011.** As recently carried out for the Kent Intermediate School District, Grand Rapids Community College has requested that the City collect the summer property taxes

for the district. As part of a continuing resolution, the City collects the GRCC's property taxes at no fee but is able to keep the interest earned during the bank deposit before distributing these monies.

City Manager Pasquale recommended the current policy for collecting GRCC summer property taxes be maintained and a resolution passed.

IT WAS MOVED BY ELLISON and seconded by LAPONSIE to collect the summer property taxes for Grand Rapids Community College for 2011 as part of a continuing resolution.

YEA: Councilmember Altoft, LaPonsie, Schrauben, Mayor Pro Tem Ellison and Mayor Hodges.

NAY: None. ABSENT: None. MOTION CARRIED.

Item #7. **2009 – 2010 AUDIT PRESENTATIONS.**

- A. City of Lowell. Stephen Blann of Rehmann Robson presented his firm's findings on last year's accounts and records.

The opinion given by the firm was a clean, unqualified opinion which means Rehmann Robson believes these financial statements are fairly presented.

Another report was also presented called the Independent Auditors Report on Internal Controls. The purpose of this report is the focus on the system behind the numbers. The following suggestions were made:

- The City relied on the auditors to help with the process of correcting certain balances at year end. The recommendation is for the City to have such adjustments made before the audit.
- Reconciliation of Subsidiary Ledgers. Throughout the year there is a variety of records which could be internally compared against the detailed records and the ones that are kept within the City's books. There were a variety of items which needed to be adjusted at year end. The firm encouraged the City to make this a monthly process rather than waiting until the year end audit.
- Segregation of Incompatible Duties. This is a common situation seen with smaller municipalities. Therefore, the firm did not expect any corrective action.

Highlights of financial operations

The results of the General Fund called for a budget of approximately 2 million dollars with a small increase to the fund balance budgeted for the year of approximately \$70,000. The total revenues were very close to what was called for. It was noted the expenses were under budget. The total General Fund balance increased by about \$130,000 for an ending balance of approximately \$260,000. This is a little over 10% of the annual budget which is slightly shy of the national recommended benchmarks. The State wants to ensure the number is above zero.

The firm will continue to provide updates. Several of the items have made progress resulting for the next year. The only new comment identified this year during the audit involves the process of approving employee expense reimbursements. The City has very good controls over most check disbursements. However, it is encouraged to extend this procedure to cover employee expense reimbursements.

Councilmember Schrauben questioned what constitutes a material effect. Blann explained it is a subjective term and a two step process is taken to determine what is considered material. Something can be material simply because of the size of the dollars involved. The end answer or bottom line is do they think the kinds of decisions being made using the financial data might be different depending on whether it was enough to impact that process.

Mayor Pro Tem Ellison was curious regarding the recommendation the City adopt a policy establishing a capitalization threshold. Blann explained at the end of the year, with regard to its governmental funds, the City needs to keep track and report the value of the capital assets. There are certain items the City would go out and spend money on. He used the example of a new police vehicle. This is from a financial perspective and is budgeted and expended in a single year. This is a current year budget expense. However, the vehicle will benefit the City for several years. Therefore, from an accounting perspective, at year end, the City would record all of those various capital assets. In this case, the police vehicle was \$50,000. Over the course of five years, \$10,000 would be depreciated each year. A capitalization threshold is setting a policy of where and what amount the line is drawn.

Ellison asked if City Manager Pasquale believed this should be done. Pasquale responded yes noting it could be done through a resolution. He would discuss the issue with City Treasurer Suzanne Olin and bring back to the Council.

Ellison noted many of the issues are repeat comments and wanted them taken care of for the next budget

Councilmember LaPonsie questioned the process of reconciling at the end of the year and not month to month. Blann explained there are many items that do happen throughout the year. The City has very good controls over the basics of processing and cutting checks, processing payroll, and all one thinks of as the internal accounting. There are certain tasks that only happen once a year, which are called external financial reporting. The State of Michigan requires it by law, which is why an annual audit is done. The annual audit does not just hold the City to the standard of what is appropriate throughout the year for interim accounting. It also includes a variety of items which need to be reviewed every year.

Councilmember Schrauben commented on the reserve balance for the General Fund. He questioned the national benchmarks. Blann explained there is not any one rule to fit every situation. The number one recommendation is to have a policy and to adapt that policy for your unique circumstances. The recommendation goes on to give some bench marks. One looked at is two months of expenditures as an appropriate base cushion to make sure there is some flexibility. Some may want 17 percent, but then

think the City is hoarding money. But two months is really the minimum. Every situation is different. The key is to have a policy and build it in the budget. Schrauben believed the City may be at 15% within a couple of years. Pasquale agreed. However, there are many unknowns such as the status of State Revenue Sharing. One just does not know what will happen. The City is doing well and has been able to complete projects utilizing the Lowell Area Community Fund and LCTV Endowment Fund.

- B. Lowell Light and Power. Peter Haefner of Vredeveld Haefner presented his firm's findings for the Lowell Light and Power accounts. Light and Power was able to show operating revenues in excess of operating expenses. This was as a result of additional sales and a slightly lower cost of energy.

He reviewed where the dollars go during the year. Primarily, it is the cost or the purchase of power. This includes the cost of their investment or the various facilities as well as the purchase of power.

Haefner noted there was a loss for three years running, a slight net income in 2009 and 2010 with additional net income.

He appreciated Lowell Light and Power General Manager Greg Pierce and the staff. Everything went well.

Item #8. **UPDATE – SNOW PLOW OPERATOR PERMIT.** Police Chief James Hinton provided an update regarding permits for snowplowing. He and City Clerk Betty Morlock met with Dave Lehigh, Brian Kornhorn and Tom Smith on January 11, 2011. They discussed the items of concern and believed a compromise was found. He noted the list of customers, the amber light issue as well as the documentation or the lettering on each truck. As outlined in the memo, the lettering of the trucks is already a State and Federal law requirement. The issue involving the amber light is also addressed by State law, which states amber lighting must be used for public safety areas. Not every business will have to have workman's compensation insurance. It all depends on the structure of the business, how many employees and how many hours worked.

It was a good meeting. However, the drivers still do not believe the ordinance is necessary and wonder what comes next as far as licensing.

Mayor Pro Tem Ellison confirmed the lettering is a State law. Hinton responded yes.

Ellison noted we are protecting the public.

Councilmember LaPonsie suggested such verbiage regarding the truck sign be noted on the application.

Further information will be discussed during the February 7, 2011 meeting.

Item #9. **UPDATE – VIDEO COVERAGE OF PUBLIC MEETING.** Councilmember Altoft explained Al Eckman put together a schedule of fees for what it would cost to have meetings

taped as well as the cost for a new camera. The camera was estimated at \$2,000 and \$90 for the SD cards. All totaled, with accessories would be approximately \$2,500. If the school video tapes the meetings, it would cost \$20 per meeting.

City Manager Pasquale suggested both the camera and the coverage be applied to the LCTV Fund.

Tyler Kent of 1700 Faith, supported Brandon Hamilton continuing to run the City Council meetings. He has experience and has done a good job.

Dennis Kent of 1700 Faith serves on the LCTV Board. He supported Hamilton, noting he has done a good job. He suggested Hamilton continuing to record the City Council meetings, but possibly giving others the opportunity to learn with secondary meetings.

City Clerk Betty Morlock wanted to ensure the system would be compatible. She also noted she needs an individual who is reliable and is going to show up.

Brandon Hamilton asked if there had been discussion about the cost of streaming the meetings online. Councilmember Altoft responded there will be no cost to place the meetings online. Altoft noted Eckman would have further discussion with the Council before a decision is made.

Hamilton questioned if Altoft had any idea how many wanted to view the meetings on line. He wanted it worth the cost to do it.

Schrauben wanted to figure out exactly what is being provided for the charge of \$20 per meeting.

Hamilton believed public input should be provided to determine how many people would view the meetings on line. He also questioned what would happen to the current employees. Hamilton believed the students should be compensated more than \$20 a meeting.

Item #10. **MONTHLY REPORTS**. No comments were received.

Item #11. **COUNCIL REPORTS AND COMMENTS**. Councilmember Schrauben commented on the Airport Board. The first phase of the tree clearing should be completed. The Parks and Recreation Commission are eager to apply to the LCTV Fund. Schrauben questioned the application dates. City Manager Pasquale commented the LCTV Endowment Board will be meeting in February. A schedule will be set. However, it will be earlier than previous in order to allow construction projects to be completed during the warmer weather. Also, the Lowell Area Recreation Authority held its worksession for Phase II of the Trail. The main objective is to connect the rail trails from the south and the rail which comes from the north onto Foreman. Consideration is being given to have a trailhead at each location and provide a trail through the City.

Schrauben commented on the budget process. He wondered if it would be helpful to get the department heads together to implement something to reduce spending. Pasquale explained this has been a team effort.

Councilmembers LaPonsie and Altoft had no updates from their committees

Mayor Pro Tem Ellison noted there was an Arbor Board meeting. Discussion was held regarding spring planting and a project at the cemetery. Also, the Arbor Board will hold a contest for Lowell residents. This includes drawings or some type of artwork which depicts a location in the City which has been affected by the Arbor Board by trees.

Ellison noted the LCTV Endowment Board will be meeting next month.

She also commented on the design charette and how nice it was.

Mayor Hodges noted the Metro Council's transportation group met at City Hall. They revealed an update on the study they have been doing. He learned that 36% of non MDOT local roads are in fair to poor condition.

The Chamber of Commerce met last week under the new leadership of Marilyn McDougall as the President. Liz Baker will stay on as Executive Director. Cliff YanKovich of Chimera Design indicated most businesses experienced a better than average Christmas. The Chamber of Commerce annual dinner will be held February 16, 2011 at the Grand Volute.

Lowell Light and Power met last week. The audit was presented and things are going well. A report was also presented regarding electrical vehicle charging stations. It appears there may be two of these installed. The primary one will be located in the parking lot next to Shell and the other one across from Flat River Grill.

Mary Sawka's retirement date is January 31, 2011. Lowell Light and Power is having a celebration of her 23 years of service.

A line workers rodeo will be held on March 18 and 19th, 2011.

An After the holiday "Holiday" party will be held on Saturday 29, 2011 at the Main Street Inn.

Mayor Pro Tem Ellison thanked Waste Water Treatment Superintendent Mark Mundt for his monthly reports and dedication of 21 years of service.

Item #12. **CITY MANAGER'S REPORT**. City Manager Pasquale reported on the following:

1. The following boards and commissions meetings minutes are provided:
 - Arbor Board meeting of October 11, 2010
 - Airport Board meeting of November 2, 2010
 - Downtown Development Authority meeting of December 2, 2010
 - Chamber of Commerce meeting of December 14, 2010
2. The Council will meet in work session on Monday, January 31 to review and discuss streets and sidewalks plans.

The next regular meeting will be held on Monday, February 7.

Item #13. **APPOINTMENTS.** The following boards or commissioners positions need appointment or reappointment.

Building Authority		
Charles Meyers	appointment	01/01/2014

By general consensus, the Council approved the above appointment.

IT WAS MOVED BY ELLISON to adjourn at 8:29 p.m.

DATE:

APPROVED:

James W. Hodges, Mayor

Betty R. Morlock, City Clerk