

A regular meeting of the City Commission was held in the Commission Room of the City Hall, 225 East Portage Avenue, Sault Ste. Marie, Michigan on Monday, October 3, 2016 at 7:00 p.m.

The meeting was called to order by Mayor Bosbous

Present: Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, Lynn, Twardy
Absent: Commissioner Osterhout

Also Present: City Manager Turner, City Attorney Cannello, City Clerk Robin R. Troyer, and various department heads

Moved by Commissioner Lynn, supported by Commissioner Twardy

That the absence of Commissioner Osterhout be excused.

Motion carried unanimously.

Moved by Commissioner Gage, supported by Commissioner Bauer

That the City Commission add the Pullar Community Building – Calcium Chloride/Brine Pump Issue to tonight's City Commission agenda.

Carried: Yeas: Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, Lynn, and Twardy
Nays: None

PROCLAMATION: DOMESTIC VIOLENCE AWARENESS MONTH

CONSENT AGENDA:

Moved by Commissioner Twardy, supported by Commissioner Gerrie

That the following consent agenda items be approved:

Minute Approval:

That the minutes of the regular City Commission meeting held on Monday, September 19, 2016 be approved as written and circulated and the minutes of the following boards and commissions received and placed on file:

- a. Downtown Development Authority – August 10 and September 14, 2016
- b. Planning Commission – August 25, 2016

Appointments and Resignations:

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That the City Commission accept the resignation from the Local Development Finance Authority from Sherry Brooks from a term that is set to expire on December 31, 2017 and send a letter of appreciation for her service on this Board.

That the City Commission accept the resignation of Megan Kelly from the Planning Commission for a term that was set to expire on April 19, 2017 and send a letter of appreciation for her service on this board.

That the City Commission accept the resignation from the Zoning Board of Appeals from Chris Szabo from a term that expires on June 1, 2017 and send a letter of appreciation for his service on this Board.

Communications:

That the City Commission approve a proposed Lot Split by Larry Bitnar to create two 100'x120' parcels from the north 120' of Lots 6 through 10, inclusive, Block 3, St. Paul Addition.

That the City Commission approve Agreement No. 2017-0124 with the Michigan Department of Transportation for miscellaneous public transportation projects for the program years 2017 through 2021.

Special Orders of Business:

That the City Commission schedule a public hearing on November 7, 2016 for the purpose of hearing objections to Single Lot Assessment Rolls SL-2N-16 and SL-2W-16.

City Manager's Report:

That the City Commission authorize the City Manager to execute the presented 'Renewal Agreement' with Abilita with a twelve month term at a cost of \$900 per month.

Carried: Yeas: Commissioner Bauer, Gage, Gerrie, Lynn, Twardy, and
 Mayor Bosbous
 Nays: None

SPECIAL ORDERS OF BUSINESS:

INTRODUCTION AND FIRST READING OF AN ORDINANCE TO REZONE
CERTAIN LAND OWNED BY JM SUPERIOR, LLC FROM R-1 TO B-3 (1.29 ACRES)
AND FROM RSV TO B-3 (0.52 ACRES) AND SCHEDULING OF A SECOND
READING FOR THE OCTOBER 17, 2016, REGULAR CITY COMMISSION MEETING:

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At its regular meeting on September 22, 2016, the Planning Commission unanimously recommended approval of a rezoning application submitted by JM Superior, LLC, owner of the Lake Superior Estates Mobile Home Park, to rezone approximately 1.29 acres of land situated within the current boundaries of the park from R-1 to B-3 as well as another 0.52 acres from RSV to B-3, also within the park.

When the approximately 41-acre park was initially developed in 1974, it appears that it unintentionally encroached 50' beyond what was intended to be its northern boundary. The total length of the 50' encroachment is on the order of approximately 1,530'. The encroachment presumably went unnoticed (or at least uncorrected) until the 1998/1999 timeframe when a lot split/land division application as well as a right-of-way vacation application were submitted by the park owner to begin the process of obtaining legal ownership of that land. Those applications were eventually approved, thereby resolving the ownership issues. An issue, which was not resolved, however, is that the area which was acquired is zoned R-1 (1.29 acres) and RSV (0.52 acres). Neither of those districts permit mobile home parks, making those areas of the park located within them illegal non-conforming uses. It is not known why the zoning issue was not addressed at the time. Of note, portions of approximately 23 mobile homes extend into the areas proposed for rezoning. The remainder of the park is zoned B-3, which is a district where mobile home parks are conditionally permitted.

JM Superior, LLC is in the process of selling the park and a prospective buyer's due diligence process brought the zoning issue to light. From the standpoint of said prospective buyer, this presents an obvious issue which prevents progress on the sale moving forward.

The future land use map, which was created as part of the 1995 Master Plan, anticipates this 50' x 1,530' area to contain low density residential uses in the future as opposed to a mobile home park, which is a separate use category. This decision of course was made prior to the discovery of the encroachment issue. While it is most certainly advisable to follow the Master Plan in most cases, there are occasions where the circumstances make a deviation a more logical course of action. This is one of those occasions where a deviation is appropriate as it will correct a zoning inconsistency which was brought about, in part, by the actions of the City.

The single public comment received was in support of the request.

The submitted application, an aerial photo, excerpt of the zoning map, and proposed ordinance are attached.

Community Development Director Freeman provided an overview of the Ordinance rezoning request.

Moved by Commissioner Gage, supported by Commissioner Gerrie

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That the City Commission hold a first reading of the ordinance and schedule a second reading for the October 17, 2016, regular City Commission meeting.

Carried: Yeas: Commissioner Gage, Gerrie, Lynn, Twardy, Mayor Bosbous,
and Commissioner Bauer
Nays: None

COMMUNICATIONS:

FROM THE DOWNTOWN DEVELOPMENT AUTHORITY – REQUEST FOR RESOLUTION OF SUPPORT TO APPLY FOR SHPO NOMINATION SERVICE:

In May 2013, the Downtown Development Authority began working on a project to nominate Downtown Sault Ste. Marie for recognition on the National Register as an historic commercial district.

In Chippewa County, Michigan alone, there are 26 National Register listings already, including City Hall. The National Park Service allows historic commercial buildings to cluster together, and instead of being classified individually as historic places, the historic commercial district can be registered under one entry.

Becoming a National Register Historic District comes with substantial benefits. Every building listed in the district receives access to a 10-20% Federal tax credit. This tax credit is available if the property ever chooses to rehabilitate its building according to historic standards found at: <https://www.nps.gov/tps/standards.htm>.

However, property owners are never mandated to restore their buildings even if they are within the proposed District. They are only required to follow historic rehabilitation guidelines if they so choose to file for the Federal tax credit.

The National Park Service states that no restrictions are placed on properties entered onto the National Register and very clearly states on its website:

"What are the restrictions, rules, regulations for historic property owners?

From the Federal perspective (the National Register of Historic Places is part of the National Park Service), a property owner can do whatever they want with their property as long as there are no Federal monies attached to the property."

<https://www.nps.gov/nr/faq.htm#restrictions>

The Michigan State Historic Preservation Office is offering a nomination service this year, valued at nearly \$40,000. The DDA, the Historical Society, and the Library have worked together for nearly four years on background information to do the nomination locally, and have yet to complete it as the work is akin to writing a history book on the downtown.

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In order to apply for this no-cost nomination service, the City must take several actions as detailed within the recommendation portion of this memorandum.

Downtown Development Authority Director Knepper presented on this topic.

Moved by Commissioner Bauer, supported by Commissioner Gerrie

WHEREAS, the historic commercial district of Downtown Sault Ste. Marie is one of the oldest continually occupied areas in the state of Michigan, and is located within the most historic City in the State of Michigan; and

WHEREAS, the historic commercial district of Downtown Sault Ste. Marie has been identified as eligible for listing on the National Park Service register of historic places by the State Historic Preservation Office of Michigan; and

WHEREAS, the historic commercial district of Downtown Sault Ste. Marie is historically significant at the local, national, and international level; and

WHEREAS, the proposed historic commercial district of Downtown Sault Ste. Marie composes over 100 contributing properties, including the Adams Bank Building and the Gowan Block, which are both listed as National Register historic places at this time; and

THEREFORE, BE IT RESOLVED, that the City Commission of Sault Ste. Marie lends its full support in the creation of a commercial historic district listing on the National Register, and commits to designating a staff person to provide general assistance as needed to facilitate the completion of the project.

That the City Commission designate Community Development Director Freeman and DDA Director Knepper to provide assistance to the SHPO consultant assigned to the project if the City is selected.

That the City Commission designate a member of the Historic Development Commission and/or a member of the Chippewa County Historical Society to provide assistance to the SHPO consultant assigned to the project if the City is selected.

Carried: Yeas: Commissioner Gerrie, Lynn, Twardy, Mayor Bosbous,
Commissioner Bauer, and Gage
Nays: None

FROM MR. DENNY DOUGHERTY – UPDATE ON IMPROVEMENT
PROJECTS:

Mr. Denny Dougherty and a wide number of community organizations and volunteers have made substantial improvements at Voyageur and Heron Islands and at

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Lynn Trail.

Mr. Dougherty provided an update on these improvement projects; presenting pictures of the projects and recognizing the amazing volunteers who contributed to these improvement projects.

Included for initial review on this topic is an update from Mr. Dougherty regarding both projects as well as associated pictures. Mr. Dougherty will present additional project pictures at the meeting.

From a technical standpoint the City Attorney has indicated that the City Commission should take formal action to accept ownership and responsibility for all improvements made through these efforts. It should be noted that City Administration has ensured all permitting and regulatory requirements have been met for these project improvements.

Wayne Barry founder of the Smart Group addressed the Commission on the Lake Superior Watershed Conservancy.

Moved by Commissioner Lynn, supported by Commissioner

That the City Commission formally accept ownership and responsibility for all improvements made at Voyageur and Heron Islands and at Lynn Trail.

Carried: Yeas: Commissioner Lynn, Twardy, Mayor Bosbous,
Commissioner Bauer, Gage, and Gerrie
Nays: None

CITY MANAGER'S REPORT:

AWARD OF BID FOR ACTIVE DIRECTORY SERVER AND ACCESS POINTS:

On July 21, 2016, the following proposals were received for the purchase and installation of an Active Directory Server and Access Points:

1. Civitas IT - \$30,914.35
2. CDW Government LLC - \$34,796.50
3. DsTech - \$37,695.04
4. Netlink Business Solutions - \$38,796.00

Active Directory Domain Services (AD DS): is the cornerstone of every Windows Domain network. It stores information about members of the domain, including devices and users, verifies their credentials and defines their access rights. Active Directory is a centralized and standardized system that automates network management of user data, and security. It is the heart of the Cities Network.

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Access Points: In computer networking, a wireless access point (WAP) is a networking hardware device that allows a Wi-Fi compliant device to connect to a wired network. Therefore, wireless laptops can gain access, with the correct credentials to the active directory server which allows them to access the data/information they have rights to.

Upon review of the proposals, it was determined that Civitas IT did not meet the bid specifications; therefore, the company was disqualified. Based on City Administration's past experience with CDW Government LLC (CDW) during the purchase and installation of Police Department in-car tablets and the unknown direct expenses to include but not limited to airfare, lodging, mileage, meals, shipping, lift rentals, photo copies, tolls, and parking which will be charged at actual cost in addition to the \$34,496.50 cost proposal it is not recommended to award the bid to CDW. Finally, DsTech met specification and was \$1,100.96 below Netlinks.

All bids were within the established budget. IT Director Raffaele is recommending the award of this bid to Netlinks Business Solutions as it provided the best combination of qualified services, competitive rates, and experience for those reasons detailed within her included memorandum. These reasons include security, existing knowledge of the City's information technology systems, the provision of additional back-up support, and the provision of better assistance if an issue involving the warranty arises. In addition, there are a number of integrated efficiencies that would be obtained through the use of Netlinks.

Information Technology Director Raffaele presented to the City Commission on this purchase.

Moved by Commissioner Gerrie, supported by Commissioner Twardy

That the City Commission award the Active Directory Server and Access Points bid to Netlinks Business Solutions in the amount of \$38,796.00.

Carried: Yeas: Commissioner Twardy, Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, and Lynn
Nays: None

AWARD OF DESIGN AND INSTALLATION OF WATER TREATMENT DATA TRANSMISSION EQUIPMENT:

For decades the City's Water Treatment plant has used leased phone lines to convey control signals between the plant, tanks, and booster stations.

Information sent through the lines details water levels in the tanks, booster pump on/off signals, and various alarm condition notifications. We have been notified that

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AT&T is no longer offering contracts (the City's has expired) on the type of data circuits that are required and will be completely phasing out these types of circuits by 2020.

Additionally, AT&T will be greatly increasing the monthly charges for the City's service in the near future. According to Abilita, our communications consultant, some Michigan municipalities using similar technology have experienced increases of 15 times of what they were paying. A similar increase for the City would change its current cost of \$486 per month to well over \$7,000 per month. It's very evident that AT&T wants out of this area of their business. While AT&T has not raised the City's rates, it has the ability to do so.

To avoid these additional costs, IT Director Raffaele has contracted with Charter Communications to install data lines at the City's sites that use the phone lines. She should be commended on her efforts to move the City away from what would be unaffordable charges before they kick in. Charter has its lines and equipment installed at all City sites.

Getting our existing equipment to be compatible with Charter is proving to be very difficult, if not impossible. The City uses equipment from several technological eras and transmit signals that the Charter lines cannot accommodate. Upgrades to the City's telemetry and control equipment have already been planned for in both the 6 Year Capital Improvement Plan and budget requests.

It has also been tough to find a firm to determine what components are needed, create a design, and perform a successful installation. A number of firms have been contacted and interest in the City's project has been very low.

After much searching DPW Director Moreau identified Rasmussen Electric of Green Bay, Wisconsin which is interested in the work. Its current corporate boundary is Marquette, but it wishes to expand to the EUP and Northern Lower Michigan. It also works with PJK Co. of Appleton, which is a regular subcontractor of theirs on municipal water and sewer projects.

Representatives from both companies spent a couple of days at the plant, tanks, and stations, completed the design and provided a quote for the components and work. The total amount is \$52,440. It should be noted that we have not been charged for the design, which is included in the quoted price and is currently their intellectual property.

This amount is reasonable considering the design work performed, the amount of equipment and installation work provided, and the fact that the work being performed now will complete a large part of the electronic upgrades to the water system that has been planned for in the long-term. The money spent on this upgrade is not a stopgap measure or temporary solution, but a real and needed improvement to the City's system. An added benefit is that this equipment is capable of transmitting signals over radio or cell phone, should Charter eventually become too expensive or unreliable.

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DPW Director Jim Moreau presented on this matter.

Moved by Commissioner Twardy, supported by Commissioner Gerrie

That the City Commission award Rasmussen Electric of Green Bay, WI a contract for the design and installation of data transmission equipment at the water plant, water towers, and booster stations at a cost of \$52,440;

Carried: Yeas: Mayor Bosbous, Commission Bauer, Gage, Gerrie, Lynn, and Twardy
Nays: None

Moved by Commissioner Twardy, supported by Commissioner Gerrie

That the City Commission authorize a transfer of \$52,440 from Water Equipment Reserve for the completion of the work as presented, leaving a projected balance at the end of the fiscal year of \$201,100 in this reserve account.

Carried: Yeas: Commission Bauer, Gage, Gerrie, Lynn, Twardy, and Mayor Bosbous
Nays: None

CONSIDERATION OF A RESOLUTION TO DESIGNATE CERTAIN PORTIONS OF WEST 4TH AVENUE AND SOUTH STREET OPEN TO ORV USE:

At their regular meeting on March 16, 2015, the City Commission adopted a resolution opening up portions of West 12th Street, South Street, and the Ashmun Bay Trail to ORV traffic to provide a means of access between the northern terminus of the Soo-Strongs Trail (which ends just north of the bottom of Foss Hill) and a new trailhead at Ashmun Bay Park. An aerial photograph showing the areas opened to ORV traffic as a result of that action is attached.

Approximately 1,200 feet of the Soo-Strongs Trail crosses property formerly occupied by the Northwestern Leather tannery, now owned by Freeport-McMoRan (Freeport). Presently, the DNR has an easement across the Freeport property covering that 1,200 feet of the trail, but is specific to snowmobile use only. Shortly after the previously noted 2015 City Commission action the DNR reached out to Freeport to engage in discussions about what would be necessary to modify the snowmobile easement to also apply to ORVs. Over the last year, communications between Freeport and City (as well as DNR) staff has been sporadic and inconclusive as to Freeport's position on extending the easement to ORV users.

The DNR's internal funding structure requires that projects demonstrate legal means of access to trails before being eligible for funding. Because of this "break" in the

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ORV trail, the DNR staff working on the improvements to the Ashmun Bay Trail as well as Ashmun Bay Park is in a difficult position to obtain funding for trail and facility improvements. Rather than continue discussions with Freeport, the DNR staff has requested that an alternate route be opened to ORVs that will not cross Freeport property.

To that end, City and DNR staff have arrived at a possible solution which would direct ORVs crossing West 4th Avenue just north of the railroad tracks to an off-street trail on the north side of the travelled way on West 4th Avenue. The trail would continue to the western terminus of South Street before turning right and continuing easterly along South Street where it would eventually reconnect with the portion of South Street already open to ORV use. An aerial photograph showing the proposed reroute as well as the general "lay of the land" in the tannery area is attached.

Based upon internal discussions, there are no issues with the proposed reroute provided that ORV traffic on West 4th Avenue is kept out of the roadway and confined to a separate road-side trail. As Freeport owns the land along both sides of the proposed reroute and it is entirely vacant, there are no issues with disturbing residential uses with the added traffic.

Per discussions with the DNR, they have agreed to fund the construction and maintenance of a new trail along the north side of West 4th Avenue so there will be no costs incurred by the City by making this adjustment.

Community Development Director Kelly Freeman presented on this matter.

Moved by Commissioner Lynn, supported by Commissioner Twardy

WHEREAS, at their regular meeting on March 2, 2015, the City Commission adopted Ordinance No. 555-15, creating a mechanism by which the City Commission can designate certain streets, sidewalks, right-of-ways, alleys, parks, or parking lots as being open for Off-Road Vehicle (ORV) use; and

WHEREAS, the Michigan Department of Natural Resources (DNR) has been unable to secure permission from Freeport-McMoRan (Freeport) to permit ORVs to access the existing snowmobile trail easement across portions of the former Northwestern Leather Tannery property; and

WHEREAS, the DNR's internal funding mechanisms require a demonstrated legal means of access to property prior to being eligible for funding to construct improvements; and

WHEREAS, the inability for ORVs to legally cross Freeport's property prevents them from having a demonstrated legal way to access the previously City Commission approved ORV trailhead at Ashmun Bay Park, making said trailhead ineligible for DNR

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funding; and

WHEREAS, it has become necessary to create an ORV bypass around Freeport property to establish legal ORV access to Ashmun Bay Park; and

THEREFORE BE IT RESOLVED, that the portions of West 4th Avenue and South Street, as indicated in yellow on the map attached hereto as EXHIBIT A are open to ORV use subject to the rules and regulations as set forth within Chapter 24, Article VII, of the City Code of the City of Sault Ste. Marie and MCL 324.81101, et seq, as amended; and

BE IT FURTHER RESOLVED, that only the portion of the West 4th Avenue right-of-way between the northern edge of the travelled way and northern edge of the right-of-way shall be considered open to ORV use.

Carried: Yeas: Commissioner Gage, Gerrie, Lynn, Twardy, Mayor Bosbous, and Commissioner Bauer
Nays: None

APPROVAL OF FIREFIGHTERS UNIT PUBLIC EMPLOYEE HEALTHCARE PLAN (PEHP) RESOLUTIONS FOR DISTRIBUTIONS:

The City has four PEHP Boards representing members for the following bargaining units: DPW, Police Patrol, Police Command and Firefighters. Since these plans were established between 1999 and 2002, the funds have grown to a total value as of August 31, 2016 of \$3,052,894.47. For the past few years, the PEHP Boards and respective units have been in discussions regarding distributions to retirees. Initial plan documents called for an actuarial valuation to be done to determine the amount of the distributions.

The Firefighters PEHP Board recommended utilizing the services of MERS to maintain individual retiree health savings accounts which would be established for each retiree to then receive annual distributions from the City fund, and distribute amounts to reimburse eligible healthcare expenses.

With the adoption of a similar resolution for the DPW PEHP fund, MERS ensured the City and participants that all payments will remain tax exempt per IRS regulations as they will be used only for eligible healthcare expenses. On September 22, 2016 the Firefighters PEHP Board accepted its actuarial valuation as of June 30, 2015 as prepared by Gabriel Roeder Smith & Company; the report is attached for your reference.

On Page 5 of the report, the amount of \$618 times years of service is to be paid annually to eligible retirees. The amount paid to individuals is computed based on the numbers of years they served under the plan to a maximum number of 25 years, with a

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maximum annual benefit of \$15,450.

Through December 31, 2015, the maximum number of years served under the plan by a retired Firefighter member is 9.8 years with the largest individual annual stipend being \$6,080.10. This amount will grow as future retirees serve longer under the plan, and eventually many will have served 25 years. There are currently five retirees eligible to draw, for a grand total first installment of \$18,082.85. A second annual payment would be made in August of 2017 for retirees effective December 31, 2016, and payments would be made annually going forward. The amount paid to retirees is to be adjusted with future actuarial valuations to keep the plan 100% funded. The Firefighters PEHP fund has a value of \$491,979.88 as of August 31, 2016.

Both the Revised Participation Agreement and City Resolution are attached for City Commission authorization. The City's PEHP Fund, a trust fund, would send the first installment of retiree payments as soon as retirees' individual accounts are established with MERS.

Moved by Commissioner Lynn, supported by Commissioner Gerrie

That the City Commission adopt the City resolution for the Firefighters PEHP and the MERS participation agreement.

That the City Commission authorize payment to the MERS Health Care Savings Program by accepting a budget revision in the amount of \$18,100.

Carried: Yeas: Commissioner Gerrie, Lynn, Twardy, Mayor Bosbous,
Commissioner Bauer, and Gage
Nays: None

AUTHORIZATION TO ADJUST CITY HEALTH CARE THRESHOLDS
EFFECTIVE JANUARY 1, 2017:

The City Commission, in accordance with various collective bargaining agreements and established practice, has previously defined 'thresholds' for the amount of money the City will expend on a monthly basis to offer each of its employees and their dependents (as applicable) with health care. Specifically, the thresholds currently in place provide that the City will contribute, monthly, \$493 for employees receiving single coverage; \$1,019 for employees receiving two-person coverage; and \$1,274 for employees receiving family coverage.

As Commissioners are additionally aware, a Special Health Determining Committee consisting of the City Manager; the City Attorney; and a representative from each of the City's bargaining units as well as a representative for non-union, non-department head employees and a representative for department heads has worked over the course of the past nine to ten years to research and select health care plans

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that are offered to City employees, evaluate the cost of such health care plans on employees, and evaluate the defined thresholds in relation to the cost of selected plans (among other tasks).

Included Commissioners will find information detailing the three health care plans selected by the Special Health Determining Committee for the City's employees. Specifically, the 'core' plan (that the Commission has historically approved being offered to employees at no cost) that has been selected is the Community Blue PPO 15/0% plan. The 'mid-range' plan, for which employees can contribute additional money to receive, is the Community Blue PPO 15/20% plan. The 'high' plan, for which employees can contribute even more money to receive, is the Community Blue PPO 12/20% plan.

It should be noted that employees selecting either the 'mid-range' plan or the 'high' plan must pay the difference between the monthly premium for their selected plan and the established threshold for their level of coverage. It should also be noted that the Committee has worked to continue to provide a 'buy-up' option for dental coverage.

As detailed within the included information, effective January 1, 2017, the monthly premium of the core plan for single coverage is projected to be \$432.63; the monthly premium for two person coverage is projected to be \$1,030.86; and the monthly premium for family coverage is projected to be \$1,306.11. The projected monthly premiums for both the selected two-person coverage and family coverage levels of the core plan exceed the current thresholds by a modest amount.

It is also important to note that the core plan benefits would be increased this year so that after plan deductibles have been the amount of certain costs shared by employees would decrease from 30% to 0%. City Administration supports this enhancement as it can be achieved at a cost that falls within the established budget for the current fiscal year and is important for attracting and retaining employees.

The single coverage premium does not exceed the threshold (and the City currently pays the difference between this premium and the threshold into a separate HRA account for employees selecting single coverage under the core plan). Accordingly, City Administration is recommending that the City Commission raise the threshold for two person coverage from \$1,019 to \$1,031 and raise the threshold for family coverage from \$1,274 to \$1,307 while keeping the existing single coverage threshold of \$493 in place. The base plan for dental benefits is automatically built into these thresholds.

As another important note, the annual costs connected to these thresholds are \$5,916 for single coverage; \$12,372 for two person coverage; and \$15,684 for family coverage. These annual amounts are very competitive with and less than the 'hard caps' that are provided for in Public Act 152 of 2011, being the 'Publicly Funded Health Insurance Contribution Act'. Accordingly, action within the coming weeks will be

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requested by the Commission for the City to opt out of the provisions of Public Act 152 of 2011 for the 2017 calendar year.

Moved by Commissioner Gerrie, supported by Commissioner Lynn

That the City Commission authorizes an increase in the monthly threshold for two person coverage from \$1,019 to \$1,031 and that it authorizes an increase in the monthly threshold for family coverage from \$1,274 to \$1,307 while keeping the existing monthly threshold of \$493 for single coverage in place.

Carried: Yeas: Commissioner Lynn, Twardy, Mayor Bosbous,
Commissioner Bauer, Gage, and Gerrie
Nays: None

AUTHORIZATION TO EXECUTE AT TAX TRIBUNAL AND APPEAL JOINT
DEFENSE AGREEMENT:

As Commissioners are aware, the Michigan Tax Tribunal within recent years has adopted what has been termed the 'dark store theory of property valuation'.

In regards to this theory is a sharp disagreement over the most appropriate and fair method for determining the true cash values of first-generation 'Big-Box' stores.

Local governments commonly prefer the cost approach, which determines true cash values by calculating the amount it would cost to replace a building and subtracting the value of depreciation (or its decrease in value over time) while adding land value.

This method has been used by local governments for decades in determining the true cash values of 'Big-Box' stores. Its use has been backed by court decisions, it is frequently considered to be the most reliable method for setting values for special use sites like 'Big-Box' stores, and its use has contributed to predictability in how communities fund the services expected by their citizens.

In contrast, many owners of 'Big-Box' stores currently prefer the use of the sales comparison approach, which is used to determine true cash values by comparing a parcel to the values at which similar properties (or comparable properties) within surrounding areas have sold for recently. Customarily, distressed sales (such as foreclosures) are discarded from this method because they are not seen as valid comparisons.

However, 'Big-Box' stores frequently place a considerable number of deed restrictions on their properties to limit future retail uses of such sites in an effort to block competition. These deed restrictions can significantly devalue such properties and limit the scope of potential purchasers in the free market for such sites, even when possible

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reuses are lawful and in step with community zoning.

The use of the sales comparison approach under the dark store theory depends upon the use of comparable properties by the owners of certain 'Big-Box' stores that act to allow property owners to have their profitable and open large commercial spaces valued as if they were vacant, abandoned, and deed-restricted (or as dark stores). An important argument that also underscores the 'dark store theory' of property valuation is that such properties can only be used for their constructed use, despite the fact that many of these stores can be resold to other large commercial retailers.

This has upended decades of established precedent and provided an opportunity for 'Big-Box' store owners to receive substantial tax refunds and property value reductions. In fact, since 2013 local governments throughout Michigan (including cities, counties, schools, and others) have had to refund nearly \$75,000,000 to large retailers due to the Michigan Tax Tribunal's embrace of the 'dark store' theory. Locally, taxing jurisdictions within Chippewa County have had to refund over \$109,000 due to matters involving the 'dark store' theory, with the City government itself absorbing tens of thousands of dollars in legal and professional costs to resist such appeals.

As a note, the City has taken the position that while it encourages sustainable and responsible economic development and wealth creation, ensuring equity in taxation is paramount to protecting the fabric of the community and its small business community. It is not the intent of the City to specifically denigrate individual companies, but to challenge the application of the 'dark store theory' of property valuation from a policy perspective and advocate for an appropriate legislative correction.

The City's most prominent tax appeal that is likely to be considered by the Michigan Tax Tribunal in the near future is the case Wal-Mart Real Estate Business Trust vs City of Sault Ste. Marie (Michigan Tax Tribunal Docket No. 15-002107). Should the City not prevail at the Michigan Tax Tribunal or achieve a favorable stipulation (settlement) in this case, the community stands to lose a substantial amount of funds through mandatory reimbursements. While this case is specific to the 2015 tax year, the ultimate outcome from this case and other future related cases could potentially translate to an annual loss for the City of Sault Ste. Marie exceeding \$100,000; this loss in taxable value would require years to recover from because of Proposal A.

Recognizing that an issue with such major ramifications for the community requires a communal response, City Administration has been working with other local units of government to review the included 'Tax Tribunal and Appeal Joint Defense Agreement' through which local units of government could financially contribute to the defense that the City will mount at the Michigan Tax Tribunal level and as warranted through Michigan's appellate courts, subject to the terms and provisions of the agreement. Recently the Chippewa County Board of Commissioners approved participation in this agreement for Chippewa County to share 30% - 39% of costs as would be provided through the agreement. The City has also been in discussions with a

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number of other local units of government to determine if they are able to support this effort to promote equity in taxation. Certainly the significant support from Chippewa County, its Board of Commissioners, and its Administrator/CFO Jim German is welcome as a coalition on this matter is being formed.

While it is anticipated that the contributions from participating local units of government will be fine-tuned within the next one to two weeks, City Administration has brought forth this agreement for approval at this time to further highlight awareness about this issue and move forward with a communal response on this matter.

Moved by Commissioner Lynn, supported by Commissioner Bauer

That the City Commission authorize the City Manager to execute the included and presented agreement in its substantially presented form after all participating local units of government and their associated levels of financial contribution have been confirmed.

Carried: Yeas: Commissioner Twardy, Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, and Lynn
Nays: None

PULLAR COMMUNITY BUILDING – CALCIUM CHLORIDE/BRINE PUMP
ISSUE:

The Pullar Community Building currently has two (2) old Westinghouse Pumps that have been utilized for Calcium Chloride brine liquid circulation through the refrigeration plant piping system. Westinghouse discontinued these types of pumps in the 1950's. One pump started leaking at season's end and was scheduled to be worked on internally by a senior employee, however, this employee left employment and the work was unable to be completed. The second pump (motor), which we were fairly confident could make it through the season is now showing signs of failing (1940 era Westinghouse) and now have imminent failure with minimal backup. If all fails, ice sheet would be lost.

Over this past weekend, Associated Refrigeration Associates who was here finishing up on some warranty work on a previous work order, installed a spare shaft seal on the bad pump and it is now operational, however, we are still experiencing issues. Parks and Recreation Director Wyers has made some inquiries to local electrician Tim Korcal (Positive Energy) and Brian Lavey of Cloverland Electric Cooperative to review power quality at the Pullar as this may be also contributing to the issue. Cloverland is working with Mr. Wyers on getting a power load recorder/meter placed to determine any power issues that may be occurring.

Prior to this, (earlier this month) Mr. Wyers procured rough budget numbers from Associated Refrigeration Associates, which has conducted work at the facility and has

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been assisting with asset management of the refrigeration system going forward. It is planned (through prioritization of most need) that both Calcium Chloride pumps and motors be replaced as the number one priority in the upcoming budget, however, the failing pump on one and a failing motor on the other have now complicated the matter from upcoming budgeting to an imminent failure of the system.

In discussing this with John VanBuskirk (Associated Refrigeration Associates), one (1) new unit to replace one of the failing units would entail the following:

1. Calcium Chloride pumps are specialty pumps that have limited production and have limited manufacturers (Industry Wide)
2. To receive a new unit would take 6 to 8 weeks lead-time – upon order
3. Budget (Cost Estimates) for a (complete) installed unit would be:
 - Taco or Patterson – one of two manufacturers pump/motor \$17,500.00
 - Electrical work – new conduit, new wire, installation costs \$ 5,000.00
 - New Concrete Pad Work \$ 3,000.00
 - Temporary Frame until concrete cures \$ 1,500.00
 - Total \$27,000.00

Parks and Recreation Director presented on this matter.

Moved by Commissioner Lynn, supported by Commissioner Gerrie

That Section 12.1 of the City Charter be waived based on the fact that it was not advantageous for the City to go to bid for this emergency repair.

Carried: Yeas: Mayor Bosbous, Commissioner Bauer, Gage, Gerrie, Lynn, and Twardy
Nays: None

Moved by Commissioner Lynn, supported by Commissioner Gerrie

That the City Commission authorize a budget for this purchase in the amount up to \$27,000.00.

That the City Commission authorize the transfer of \$23,100 from the contingency fund and transfer \$3,900 from the Pullar Equipment Repair and Maintenance account 101-56777-863 to cover the purchase.

That the City Commission authorize City Administration to complete the work through Associated Refrigeration as appropriate within the approved budget.

Carried: Yeas: Commissioner Bauer, Gage, Gerrie, Lynn, Twardy, and Mayor Bosbous
Nays: None

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Status Report:

Waterfront Redevelopment Study Public Open House and Stakeholder Meetings:

City Engineer Basista provided information on a Public Open House from 4-7 p.m. Tuesday October 4 in the City Commission Chambers.

Economic Development Corporation Open House – October 12, 2016:

EDC Executive Director Jeff Holt provided an update to the community about the upcoming Economic Development Corporation Open House.

MATTERS PRESENTED BY THE PUBLIC:

Cliff Pattinson, LSSU student liaison, to the City Commission meetings - announced upcoming events at LSSU.

MATTERS PRESENTED BY THE CITY COMMISSION:

Commissioner Twardy announced the LSSU Laker Hockey kick off this past weekend and the upcoming fundraising LSSU Blue and Gold Game.

Mayor Bosbous announced the past weekend win by the Soo Eagles hockey team against the Thunderbirds.

Moved by Commissioner Lynn, supported by Commissioner Bauer

That the meeting adjourn at 8:49 p.m.

Motion carried unanimously.

ANTHONY G. BOSBOUS, MAYOR ROBIN R. TROYER, CITY CLERK

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