

**PROCEEDINGS  
OF  
CITY COUNCIL  
OF THE  
CITY OF LOWELL  
TUESDAY, FEBRUARY 18, 2020, 7:00 P.M.**

1. **CALL TO ORDER; PLEDGE OF ALLEGIANCE; ROLL CALL.**

The Meeting was called to order at 7:00 p.m. by Mayor DeVore and City Clerk Susan Ullery called roll.

Present: Councilmembers Jim Salzwedel, Cliff Yankovich, Greg Canfield,  
and Mayor DeVore,

Absent: Councilmember Chambers.

Also Present: City Manager Michael Burns, City Clerk Susan Ullery, Chief of Police Steve Bukala,  
General Manager of Lowell Light & Power Steve Donkersloot, and DPW Director Dan  
Czarnecki.

2. **EXCUSED OF ABSENCE.**

IT WAS MOVED BY CANFIELD and seconded by SALZWEDEL to excuse the absence of  
Councilmember Marty Chambers.

YES: 4. NO: 0. ABSENT: 1. MOTION CARRIED.

3. **APPROVAL OF THE CONSENT AGENDA.**

- Approval of the Agenda.
- Approve and place on file the minutes of the February 3, 2020 Regular and Closed session meetings  
of the City Council.
- Authorize payment of invoices in the amount of \$327,471.15.

IT WAS MOVED BY CANFIELD and seconded by SALZWEDEL to approve the consent agenda as  
written.

YES: Councilmember Canfield, Mayor DeVore, Councilmember Salzwedel, Councilmember Yankovich.  
NO: None. ABSENT: Councilmember Chambers. MOTION CARRIED.

4. **CITIZEN COMMENTS FOR ITEMS NOT ON THE AGENDA.**

There were no comments.

5. **OLD BUSINESS**

a. Ware Road Update.

City Manager Michael Burns introduced Joe Berlin, a representative from BLDI. Joe Berlin then gave an  
update presentation on the Ware Road Site and the well monitoring that took place.

b. 990 N. Washington.

City Manager Michael Burns stated the current lease on this property expires on June 30, 2020. He is requesting direction on what City Council would like to do going forward. The property hasn't been assessed properly and in beginning of the 2021 tax year, they will assess it to make sure that the whole property is being assessed. Even though the property is owned by the City, it is being used for private use so it is subject to being taxed. At this time, the assessor has the true cash value of the entire property at \$128,500.00 and the taxable value would be \$64,250.00 making the annual property tax to be \$3057.03. Currently, we are only getting about \$500 to \$600 a year. We also have had concerns expressed from our insurance carrier about this property. We have received eight requests to purchase this property but have informed those people that no decision has been made. If we do sell the property, it does have to be done through an RFP process which our Charter requires. Mr. Diesel who leases the home on the property is here tonight to explain the history of the property.

Mr. Diesel explained the history of the property and how he came to rent the property.

The City Clerk Susan Ullery read a letter from William Thompson who resides at 720 Hillside Court.

The board discussed at length and directed the City Manager to create a lease agreement for the current leasee for 24 months for the one acre with a rent increase to \$500 starting July 1, 2020 and then July 1, 2021 increasing to \$520 with a three one-year lease option. This would mean that the City would split the leased one-acre property off and deciding what to do with the other portion of property later.

c. Resolution 05-20 – Redevelopment Ready Communities.

City Manager Michael Burns stated that in order for the City of Lowell to be able to be a community eligible for investment by the Michigan Economic Development Corporation, we must be engaged in the Redevelopment Ready Communities initiative. If we wish to engage with the RRC, we must do so within 30 days after our presentation. I am not convinced this program will bring us new investment or an increase in taxable value. I am concerned the bureaucracy is going to be burdensome and the ability to meet all the requirements will be difficult. That said, I will attempt annually to complete a task or two to stay engaged. We have projects we are working on with the MEDC currently in which the developers involved need their assistance. While I recognize some of the best practices are good ideas, I am not convinced being enrolled in this program will be game changing for our community. That said, I would hate to hinder developers who need their assistance by not engaging in the program.

IT WAS MOVED BY SALZWEDEL and seconded by YANKOVICH to approve Resolution 05-20 to engage in the Redevelopment Ready Communities Program.

YES: Councilmember Salzwedel, Councilmember Yankovich, Councilmember Canfield, and Mayor DeVore.

NO: None.

ABSENT: Councilmember Chambers.

MOTION CARRIED.

6. **NEW BUSINESS**

a. Lowell Historical Museum Presentation.

Lisa Plank gave a PowerPoint presentation on the previous year 2019 for the Lowell Historical Museum.

b. Resolution 06-20 – Non Union and Department Pension and OPEB.

City Manager stated our current and future financial position has required him over the last three years to evaluate how we address future retirement costs going forward. It is apparent to me, if we continue to provide retirement and other post-employment benefits (OPEB) in the matter we do currently, this will not be sustainable for the future of the City of Lowell. This will impact how we provide municipal services and the quality of life in the community. I have spent much time in that past three years on these issues. In the last year and a half, I have put forth an effort to plan what is being proposed in the future while ensuring we are providing fair compensation and benefits for our employees that are in line with trends occurring throughout communities in Michigan. At our last City Council meeting, the City Council ratified a labor agreement with our Police Officers Union that has put us on a path toward addressing these future concerns.

IT WAS MOVED BY YANKOVICH and seconded by SALZWEDEL to approve Resolution 06-20 as presented.

YES: Councilmember Yankovich, Councilmember Canfield, Mayor DeVore, and Councilmember Salzwedel.

NO: None.

ABSENT: Councilmember Chambers.

MOTION CARRIED.

IT WAS MOVED BY YANKOVICH and seconded by SALZWEDEL to approve Resolution 08-20 as presented.

YES: Councilmember Canfield, Mayor DeVore Councilmember Salzwedel, and Councilmember Yankovich.

NO: None.

ABSENT: Councilmember Chambers.

MOTION CARRIED.

c. Resolution 07-20 – Establishing Authorized Signatories for MERS.

General Manager Power Steve Donkersloot of Lowell Light & Power stated that included in your packet is a Resolution to Establish Authorized Signatories for MERS Contracts and Service Credit Purchase Approvals. The purpose of the Resolution is to streamline the way in which MERS and an employer (i.e. LL&P) execute and implement Agreements, Resolutions, Amendments, etc. Currently MERS requires approved and signed Board Minutes reflecting any Board and/or City Council action, which can delay the implementation process of an approved item by 4-6 weeks. Going forward if this is passed, the LL&P Board and/or City Council will still need to approve Agreements, Resolutions, Amendments, etc. but MERS will not require approved and signed Board Minutes.

IT WAS MOVED BY SALZWEDEL and seconded by CANFIELD to approve Resolution 07-20 as presented.

YES: Councilmember Canfield, Mayor DeVore, Councilmember Salzwedel, and Councilmember Yankovich.

No: None.

ABSENT: Councilmember Chambers.

MOTION CARRIED.

d. PA 202 Waiver.

City Manager Michael Burns stated if you recall when our audit was presented to us in January, you were informed the audited asset valuation of our pension system was 58% funded at the end of the fiscal year. This accounting triggers a preliminary review as being under 60% funded for our pension under Public Act 202 of 2017. Under this act, we are required to file a corrective action plan to address this, and get our pension system towards a path of becoming fully funded if it determined we are under the 60% threshold.

We received notification of our status by the Michigan Department of Treasury on January 15, 2020. The State of Michigan allows for the city to request a waiver of this preliminary review if we meet certain qualifications. This waiver must be filed with Treasury within 45 days of being placed on notice by them. In our situation, I believe we will be able to file a waiver at this time. While our audited valuation states we are at 58%, our actuarial valuation from MERS which was issued last June has us at 63% funded and projects next year for us to be at 60 percent. In addition, our recently approved labor agreement with our Police Officers Union will have them agree, going forward, to bridge their future pension multiplier from 2.5% to 2.0% on the condition all employees who are currently in our Division 10 pension system do the same. Furthermore, they have agreed to close the defined benefit pension plan to new hires July 1, 2020 when all others in the Division 10 pension system do the same. Prior action this evening will close the traditional defined benefit pension plan for all nonunion and department head hires after July 1, 2020. If the Division 10 pension system bridges their future pension multiplier from 2.5% to a 2.0% going forward, MERS has projected that we will go from our current 63% funded to 68% if that happens. This accounts for closing the pension system for new hires. The city is currently taking the necessary path to correct this situation on our own at this time. The waiver process requires a simple council action (voice vote) as part of the application process.

Burns continued stating we are taking care of the things we need to in my opinion to not have to go through this step with the state. We do have an issue in two years from now possibly when the rate of return on our investment from MERS goes from 7.75% to 7.35%, that might put us close to that, it might even put us under again but I do know by breaking down, if we can get that to happen that is a significant positive impact to the system.

Mayor DeVore stated that is what this waiver is intended to do, correct? To get people to start moving forward and we have already taken those steps, correct? Burns stated that is correct, they basically want to make sure that cities in the state are actually working on a plan today. There is no mandate at this time that requires the state to come in and mess with your pensions, that could happen down the road but right now, it at least requires the municipalities to plan for this. Understand, even in our current state, we are in a much better situation than a lot of cities in the state. For example, the City of Benton Harbor is 27% funded and there is a number of downriver communities that are in the 30% range, so we are not that bad. But, we need to resolve this issue and move on.

Councilmember Salzwedel asked how do we get to 100% invested as it would be nice to raise it another 32% and have that, although that is quite a bit.

Burns stated there are a number of things that have to happen. One of them is the future benefit payout plays into that. One of the big issues that happened in 2008 stock market, at that time, the City was actually at 77% and the stock market went down so much that even to this day, the MERS assets have not fully gained what they lost since 2008. One of the other things we have done which a lot of other places haven't is you no longer provide a cost of living adjustment. MERS didn't allow that once we went below 80%. It is projected, it will take us a minimum of 18 years to be at 100%. That said, will we be 100%? Maybe, maybe not, but we will be a lot closer. There is another step to this because one of my concerns going forward is in those out years, the cash flow that's going to be meant to pay this. I am looking at trying to maybe produce the cash flow payments, maybe restock the 30 years. Basically what happened in 2008, they used to have what was called rolling amortization for your unfunded liabilities, so what happened was every year that the unfunded liability was there, you just passed it down to the next year for 30 years and it continued to roll. Well what they did in 2008 is they stopped that and they basically said okay whatever your unfunded is at this point, in 30 years, it needs to be corrected. The first 11 years that the city had, we really didn't do anything to address the problem. We are now, but one of the things that

we can do is if we meet MERS criteria, MERS will allow a one-time reset of the amortization. My concern is in today's dollars, in 2038/2039, our payments and today's dollars are a third of what our general fund takes in, just in pension obligation so I'm working on trying to take these steps so when we make that case to MERS, it will help us. So hopefully we can get ourselves on a path to sustainability. We are not just sitting idle.

Lowell Light and Power General Manager Steve Donkersloot stated from my perspective this is an invisible wise move by City Manager Michael Burns and the Council. I was just pulling our MERS valuation. Currently MERS mandates that anyone with a defined benefit funds their normal cost of the plan plus the unfunded liability over a period of time and Burns was talking about the amortization period. I looked it up, right now it's 22 years so in theory if every single assumption MERS made was correct for the next 22 years, the city would be 100% funded. Problem is, if you look at MERS history, people live longer, retire sooner or retire later, maybe make more than they expected and then they just have never been able to invest and get the return that they've expected. Now Burns and I did get a report last week that MERS did have a 2019 annual return of roughly 13.3% which is higher than their 7.75% assumed return. I said to my board, that is great, the market was about 25% though, so they've lost half of what they could have if they just invested in a simple index fund. The annual return for 2019 was higher than expected so I would think the actual value of the funding level should be higher for our next report.

IT WAS MOVED BY YANKOVICH and seconded by CANFIELD to request a waiver of a preliminary review of underfunded status to the Michigan Department of Treasury in accordance with Public Act 202 of 2017.

YES: Mayor DeVore, Councilmember Salzwedel, Councilmember Yankovich, and Councilmember Canfield.

NO: None.

ABSENT: Councilmember Chambers.

MOTION CARRIED.

## 7. **BOARD/COMMISSION REPORTS.**

Councilmember Yankovich stated the Historical District asked for \$100,000 grant from the Community Fund and got \$50,000 so we have some funds to use. There is a lot going on on Main Street. Speaking of that, the Chamber's Annual Dinner is in a couple of days and we are going to be recognizing several businesses that spent well over a million dollars apiece, making things better on Main Street.

Councilmember Salzwedel stated this coming Tuesday, February 25, 2020 the LCTV Board will meet to discuss the fund requests submitted.

Councilmember Canfield stated the Lowell Area Recreation Authority met last Wednesday February 12, 2020 and the railroad situation (trying to figure out how to get the trail across that) is still a thorn in their side, so we are looking at that and working on a plan to move forward. Parks & Recs met tonight and he missed the first half.

DPW Director Dan Czarnecki stated at the first half of the Parks & Rec meeting, a gentleman that works with the Flat River Watershed Council came and requested to put a memorial plaque on a rock for a founding member that recently passed away, down near the river just to the east of the existing boat launchers bench that is down there now. They need to contact the widow first.

Mayor DeVore stated Fire Authority was last Monday. In your packet is a copy of the workshop summary from our Lew Bender session showing a description of the board, some ideas and expectations, some suggested next steps including to delay the scheduled study. We did select a new chair at our last meeting, Jessica Harp from Lowell Township. We are in the process of putting together some ideas for obtaining a new County Truck in the next couple of years. We will get \$204,000 from the County and there is a whole specifications process to go through to get funding from the County.

## 8. **MANAGER'S REPORT.**

City Manager Michael Burns reported on the following:

- Thank you to the Police Officers Association who made some significant changes to their police retirement and retiree health care contract and I've been on both sides of the table for over 20 years now and I have never seen this amount of significant changes made after one meeting and a couple of emails. I was very appreciative and that shows me they understand the issues the city is facing and that they are willing partners to help us move forward.
- I did submit a grant of the City's behalf to the LCTV grant fund for assistance for Ware Road in the amount of \$60,000.
- Update on the Small Urban Development Program for Foreman Street: We did receive a formal notification from MDOT that we will receive \$132,000.00 to replace the street component of Forman from Beach to Hudson. Good news is 80% of the road costs were funded to replace Foreman (after we do the water and sewer repair). However, because this is an MDOT project, this has to go through their formalized bidding process. That would have required our original plans for grate inspection to have needed to go to the state by December 3, 2019. We received notification from MDOT to be able to apply for this project on December 15, 2019 of our grant. Our plan was to do this project in June but that will now be delayed another year due to the timelines of the application process. The MDOT standards will increase the engineering costs, but we have not bid out anything at this time.
- I met with Steve Donkersloot, Steve Bukala and Dan Czarnecki last week as we are looking at converting all of the remaining mercury vapor street links in the city to LED. We will see a significant savings in our utility cost which we believe will have paid for the purchase LED lights in about 4 years. It is about \$10,000 and will come out of next years' budget.
- We still are doing a Facebook Live, we spent \$50 on a camera. Thanks to Jake Davenport for his help.
- Unless something changes from now until then, I still will be off from February 27 to March 12 for my child to be born. Steve Bukala will be acting City Manager while I am gone.
- I was selected by the Michigan Municipal Executives Organization to be their representative for The International City County Management Association Conference planning. Every state has a representative to assist with that planning.

9. **APPOINTMENTS.**

It was a general consensus to have the three current Airport board members: Paul Nichols, Jeff Ostrander and Tom Grimm continue for another term.

For the Building Authority Board, the person currently serving is not a city resident so we are going to look into that to see what the rules are.

It was a general consensus of the City Council to have Rita Riester continue serving on The Downtown Development Authority.

It was a general consensus of the City Council to have Ardis Barber continue serving on the Historic District Commission.

It was general consensus of the City Council to have Paula Merindorf continue serving on Park & Recreation Board.

10. **COUNCIL COMMENTS.**

Councilmember Yankovich would like to thank the Police Department for making Michael Burns and City Councils' job a little easier by negotiating on their retirement and retiree contracts.

11. **ADJOURNMENT.**

IT WAS MOVED BY SALZWEDEL and seconded by CANFIELD to adjourn at 8:42.

DATE:

APPROVED:

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Mike DeVore, Mayor

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Sue Ullery, Lowell City Clerk