

CITY COUNCIL MINUTES

City of Hillsdale
 January 9, 2017
 7:00 P.M.

Regular Meeting

Call to Order and Pledge of Allegiance

Mayor Scott Sessions opened the meeting with the Pledge of Allegiance.

Roll Call

Mayor Scott Sessions called the meeting to order.

Council Members present:	Scott M. Sessions, Mayor Adam Stockford, Ward 1 Timothy Dixon, Ward 2 William Morrissey, Ward 2 Bruce Sharp, Ward 3 William Zeiser, Ward 3 Matthew Bell, Ward 4 Patrick Flannery, Ward 4
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Council Members absent:	Brian Watkins, Ward 1
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Also present were: City Manager David Mackie, City Clerk Stephen M. French, City Attorney John Lovinger, Bonnie Tew (Finance), Kay Freese (HR), Scott Hephner (HCPD/HCFD), Jake Hammel (DPS), Mike Barber (BPU), Chris McArthur (BPU), Mark Hawkins (HCFD), Corey Murray (Hillsdale Daily News), Penny Swan, Dennis Wainscott, Gary Kurtz, Michael Mitchell, Donna Hecht, Ray Briner, and Marty Hubbard.

Council Member Excused

Mayor Sessions stated he had received correspondence from Council Member Watkins that he would not be able to attend the meeting due to a work obligation.

Council Member Bell, seconded by Council Member Flannery, moved to excuse the absence of Council Member Watkins from the meeting. By a voice vote, the motion passed unanimously.

Approval of Agenda

Council Member Bell, seconded by Council Member Flannery, moved to approve the January 9, 2017 agenda as presented. By a voice vote, the motion carried unanimously.

Public Comment

Mr. Dennis Wainscott, 34 Garden Street, voiced concern at the issuance of an additional liquor license in an area that had numerous establishments that already served alcohol. Mr. Wainscott questioned if the original site plan that had been approved by the city included a commercial business in the building.

Ms. Penny Swan, questioned the issuance of the liquor license at 42 Union Street and stated no residents had been notified of the request prior to the meeting.

Ms. Marty Hubbard, owner of 42 Union Street, reviewed the scope of the project for a coffee house and bar in the first floor of the mixed-use development. Ms. Hubbard noted the state grant received for the project required the building to have commercial development on the first floor with residential units on the upper floors.

Consent Agenda

- A. Approval of Bills
 - 1. City Claims of December 30, 2016: \$100,424.13
 - 2. BPU Claims of December 29, 2016: \$92,384.14
 - 3. Payroll of December 29, 2016: \$98,662.86
- B. City Council Minutes of December 19, 2016
- C. Planning Commission Minutes of November 15, 2016
- D. November 2016 Financial Reports
- E. December 2016 Code Enforcement Report
- F. December 8, 2016 Public Safety Committee Minutes

Council Member Zeiser, seconded by Council Member Flannery, moved to approve the Consent Agenda as presented.

Roll call:	Council Member Bell	Aye
	Council Member Dixon	Aye
	Council Member Flannery	Aye
	Council Member Morrisey	Aye
	Council Member Sharp	Aye
	Council Member Stockford	Aye
	Council Member Zeiser	Aye
	Mayor Sessions	Aye

Motion passed 8-0.

Communications/Petitions

There were no Communications/Petitions on the agenda.

Introduction and Adoption of Ordinance/Public Hearing

There were no Ordinances or Public Hearings on the agenda.

Unfinished Business

There was no Unfinished Business on the agenda.

Old Business

There was no Old Business on the agenda.

New Business

- A. **Resolution No. 3300:** Performance Resolution for Governmental Agencies – MDOT

Council Member Flannery, seconded by Council Member Bell, moved to adopt the Performance Resolution for Governmental Agencies from the Michigan Department of Transportation (MDOT) as presented.

Roll call:	Council Member Bell	Aye
	Council Member Dixon	Aye
	Council Member Flannery	Aye
	Council Member Morrisey	Aye
	Council Member Sharp	Aye
	Council Member Stockford	Aye
	Council Member Zeiser	Aye
	Mayor Sessions	Aye

Motion passed 8-0.

B. **Resolution No. 3301**: Local Government Approval of Class C Liquor License – 3H Coffee House

City Manager Mackie reiterated that the grant for the redevelopment of 42 Union Street required the owners to have commercial business in the 1st floor of the building. City Manager Mackie noted city staff had reviewed the liquor license application and have recommended approval of the request.

Council Member Bell questioned Ms. Hubbard on the plans for the business, as well if there was a concern regarding the close proximity of the building tenants to the bar/restaurant. Ms. Hubbard stated there were no announcements or advertisements for the business, as plans could not be completed until approval of the liquor license was finalized by the state. Ms. Hubbard stated she was also not concerned with the proximity of the tenants to the business. Ms. Hubbard noted the business would cater to college students who needed a place to gather later in the evening.

Council Member Sharp voiced concern regarding the growing number of businesses that sold alcohol in the area of 42 Union Street and throughout the downtown.

Council Member Stockford noted the City of Hillsdale historically had many more establishments that sold beer and liquor than businesses that currently sell alcohol. Council Member Stockford stated the success of the business would be dictated by the market and Council should not restrict the opening of a new business as long as the business was in compliant with the Zoning Ordinance.

City Clerk French reported Ms. Hubbard had purchased this liquor license from an escrow account and would transfer the license into the City of Hillsdale from a different municipality. Chief Hephner reported the city currently had 18-20 businesses that sold alcohol for on-site consumption or for retail, packaged sales.

Council Member Zeiser requested additional information regarding the liquor license application process. Clerk French stated the city was not mandated to notify all property owners within a certain distance from the licensed site. Clerk French stated the application was the first step in the process, and if additional information or notices were necessary, the State of Michigan would direct that procedure.

Council Member Flannery stressed the application had been reviewed and recommended for approval by city staff. Council Member Flannery stated the number of similar businesses in the immediate area should not be a concern of the City Council, as long as all the sites conformed to the city's zoning requirements. Council Member Flannery commended Ms. Hubbard for the renovations and improvements made at 42 Union Street.

Council Member Zeiser questioned Chief Hephner on the impact of an additional liquor license to the City of Hillsdale. Chief Hephner reviewed the monthly inspections performed by the Police Department at each of locations with a liquor license in the city. Chief Hephner stated the addition of a liquor license at 42 Union Street would not have a substantial burden on the enforcement of liquor license regulations by the department.

Mayor Sessions thanked Ms. Hubbard for the improvements made at 42 Union Street

Council Member Sharp voiced his support for the staff recommendation following the comments made by Chief Hephner. Council Member Sharp stated, however, that he remained leery of the recommendation due to the large number of liquor licenses in the area.

Council Member Morrissey, seconded by Council Member Flannery, moved to adopt Resolution 3301: "Local Government Approval of Class C Liquor License – 3H Coffee House"

Roll call:	Council Member Bell	Aye
	Council Member Dixon	Aye
	Council Member Flannery	Aye
	Council Member Morrissey	Aye
	Council Member Sharp	Aye
	Council Member Stockford	Aye
	Council Member Zeiser	Aye
	Mayor Sessions	Aye

Motion passed 8-0.

C. Presentation and acceptance of FY2016 Financial Audit

Ms. Donna Hecht, representing Condon, Hecht, Bisher, Wade & Company, P.C., reviewed the "Financial Statements and Independent Auditor's Report" for year ending June 30, 2016. Ms. Hecht stated the independent auditors had provided an unqualified opinion on the city's financial statements, which was the highest level of opinion that could be given by the auditors. Ms. Hecht reported the audit confirmed the city's financial statements were free of material misstatements. Ms. Hecht reported the audit also reviewed internal controls over financial recording as required by government audit standards and she had discussed those deficiencies with management.

Ms. Hecht reported the unreserved fund balance for year ending June 30, 2016 was approximately 17% of the current year expenditure totals. Ms. Hecht noted the original FY2016 budget was approved with a projected deficit of \$146,000 and the final accounting of the year finalized the fiscal year deficit at only \$28,000.

Ms. Hecht reviewed the Electric Fund, which had operating income of \$200,000 and a net income of \$300,000. Ms. Hecht stated the fund had experienced an extra-ordinary loss, due to the loss of investment in the Michigan South Central Power Agency (MSCPA). Ms. Hecht also reported the Electric Fund had incurred an expense of \$360,000 due to changes in the utility's pension liability.

Ms. Hecht stated the Water Fund had an operating loss of \$55,000 and a net loss of \$22,000; Ms. Hecht stated the fund also incurred an expense of \$150,000 due to changes in the utility's pension liability.

Ms. Hecht reported the Sewer Fund had an operating loss of \$59,000 with total net income of \$800,000 due to the capital improvement projects that were financed with state and federal grants.

Ms. Hecht stated the city had received approximately \$2.4 million in federal and state grants, which were used mainly for the airport improvements, as well as the capital projects underway at the BPU facilities.

Ms. Hecht discussed the net pension liability for the city that increased \$2.9 million during the fiscal year due to actuarial assumptions that did not meet expectations. Ms. Hecht stated the city was paid to date on the necessary contributions to the Michigan Employee Retirement System (MERS).

Ms. Hecht thanked city staff for their support and assistance during the fiscal year audit.

Responding to a question from Council Member Bell, Ms. Hecht stated the City of Hillsdale's net pension liability was comparable to similarly sized cities in Michigan and every entity had experienced a large pension liability increase in FY2016 due to the discount rate.

Council Member Flannery questioned Ms. Hecht regarding the financial statement findings that were included in the audit, and if the city would be able to correct those issues. Ms. Hecht stated the three findings (2016-2 through 2016-4) all involved the BPU and those issues were being

addressed by current city staff. Ms. Hecht indicated the involvement of Plante Moran and the change of staff was intended to correct these findings.

Finance Director Tew stated she continued to work diligently with other city staff to address the financial statement findings that were included in the audit. Ms. Tew stated new staff and Plante Moran were brought into the BPU after the fiscal year was completed, which complicated the findings that were listed in the audit. Ms. Tew noted the non-BPU funds did not have any adjusting entries or findings in the FY2016 audit.

Council Member Flannery, seconded by Council Member Stockford, moved to accept the “Financial Statements and Independent Auditor’s Report” for year ending June 30, 2016 as presented.

Roll call:	Council Member Bell	Aye
	Council Member Dixon	Aye
	Council Member Flannery	Aye
	Council Member Morrissey	Aye
	Council Member Sharp	Aye
	Council Member Stockford	Aye
	Council Member Zeiser	Aye
	Mayor Sessions	Aye

Motion passed 8-0.

D. Purchase of a John Deere wheel loader for the Department of Public Services (DPS)

DPS Director Hammel presented the staff recommendation to purchase a new John Deere wheel loader from AIS Construction in the amount of \$130,350. Mr. Hammel stated staff had the opportunity to test wheel loaders from different manufacturers to determine the best machine for city operations. Mr. Hammel stated the staff had unanimously recommended the purchase of the John Deere model with the high-lift and bucket-scale options.

DPS Director Hammel stated the new piece of equipment would replace a 1994 model that had required many, expensive repairs throughout the past couple of years. Mr. Hammel also noted there were no local vendors in Hillsdale County that could supply the city with this piece of equipment.

Council Member Morrissey, seconded by Council Member Flannery, moved to approve the purchase a new John Deere wheel loader from AIS Construction in the amount of \$130,350.

Roll call:	Council Member Bell	Aye
	Council Member Dixon	Aye
	Council Member Flannery	Aye
	Council Member Morrissey	Aye
	Council Member Sharp	Aye
	Council Member Stockford	Aye
	Council Member Zeiser	Aye
	Mayor Sessions	Aye

Motion passed 8-0.

Miscellaneous

A. Board & Committee Appointments

Council Member Bell, seconded by Council Member Zeiser, moved to approve the following appointments:

1. Mr. Ed Sumnar to the Board of Review (Alternate)
2. Mr. Troy Barker to the Local Advisory Committee – DART

3. Ms. Penny Swan to the Hillsdale Housing Commission (*informational purposes only; appointment was at discretion of the City Manager*)

By a voice vote, the motion carried unanimously.

City Manager's Report

City Manager Mackie:

1. Thanked Ms. Hecht and the firm of Condon, Hecht, Bisher, Wade & Company, P.C. for their management of the FY2016 audit.
2. Invited everyone to the Funding Alternatives Identification & Recommendation (F.A.I.R.) meeting that was scheduled for Monday, January 16, 2017 at 6:00 p.m.
3. Reported the Michigan Economic Development Corporation (MEDC) would accept grant applications in March 2017 for capital improvements. City Manager Mackie noted the city would resubmit an application for the Garden-Mead-Vine project.
4. Information regarding the FY2018 budget would be discussed at the January 23, 2017 Council meeting to develop the goals and objectives for the upcoming budget year.
5. The implementation of the new BS&A Software package continued to progress at the BPU offices. City Manager Mackie noted the full implementation was on-schedule to be completed by July 2017.
6. The city planned to once again release bid invitations by the end of the month for the construction of a new apron at the airport.
7. Staff continued to meet with representatives from the city's employee unions to discuss pension modifications.

General Public Comment

Greg Kurtz, 151 Westwood Drive, questioned a recent news article that reported on the reconstruction of Westwood *Street*, when prior discussion at Council centered on Westwood *Drive*. Mr. Kurtz discussed the poor condition of Westwood Drive and voiced his support for a local income tax to fund road improvement projects.

Mr. Dennis Wainscott, 34 Garden Street, stated city staff should take extra care to remove snow near the curbs in the downtown area. Mr. Wainscott stated the build-up of snow and ice near the curb made it unsafe for people to leave their vehicles and step-up onto the sidewalks.

Ms. Penny Swan, Ward 4, thanked Council for the discussion regarding the liquor license application for 42 Union Street.

Mr. Michael Mitchell, asked Council Members if an active, criminal investigation had been initiated following the allegations claimed in the Townley v City of Hillsdale, et al. lawsuit. Mr. Mitchell also questioned that if an investigation was on-going, what law enforcement agency was leading the investigation.

Council Comments

Council Member Sharp encouraged city staff to remove the piles of snow that remained in the downtown area.

Council Member Zeiser encouraged Mr. Kurtz to attend the F.A.I.R. committee meeting to obtain additional information about road funding issues within the City of Hillsdale.

Council Member Morrisey stated that while he was campaigning, the residents responded that road improvements should be the top priority for the City Council. Council Member Morrisey also encouraged city staff to remove the snow piles that remained in the downtown area.

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Council Member Stockford encouraged city staff to fix the audio-visual problems in the City Council Chambers.

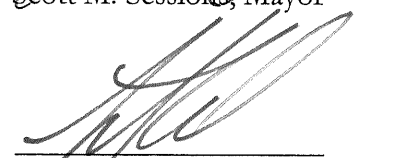
Adjournment

Council Member Bell, seconded by Council Member Zeiser, moved to adjourn the meeting. By a voice vote, the motion passed unanimously.

The meeting adjourned at 8:14 p.m.



Scott M. Sessions, Mayor



Stephen M. French, City Clerk