

CHEBOYGAN COUNTY BOARD OF COMMISSIONERS
Special Meeting
January 19, 2017

The Special Meeting of the Cheboygan County Board of Commissioners was called to order in the Commissioners Room by Chairman Matelski at 9:30 a.m.

Roll called and a quorum present.

PRESENT: Commissioner Chris Brown, Richard Sangster, Michael Newman, Cal Gouine, Tony Matelski, John Wallace, and Robert Bolinger.

ABSENT: None

Commissioner Wallace gave the invocation and led the pledge of allegiance.

Motion by Commissioner Gouine, seconded by Commissioner Sangster to approve the agenda as presented. Motion carried with 7 yes, 0 no and 0 absent.

CITIZENS COMMENTS – None

Commissioner Matelski stated that this Special Meeting was being held to bring the Board of Commissioners up to date on what has been happening with the Meijer Project.

City Manager Tom Eustice stated that they have been working with Inverness Township for approximately two (2) years on the Meijer Project. The Meijer store has purchased property in Inverness Township, with sewer capabilities, but there was not a municipal water supply that could be used by the store. The City of Cheboygan has been in negotiations with Meijer and Inverness Township on how to get water to the site. He stated that they were down to two options. The first one was to draft a utility service agreement (USA), which would mean that the City of Cheboygan would supply the water to Inverness Township. This would mean that Inverness Township would own the line; the city would be responsible for the operations and management of that line. Inverness Township would be responsible for all the engineering work of that line, as well as possibly taking on and sharing in that debt to build it. The second option would be an agreement under Public Act 425 of 1984, which is a conditional transition of land. This means that under the agreement the property would be reverted to the City of Cheboygan for a period of time, usually 50 years. With this scenario, the City of Cheboygan would be responsible for doing the build out of the line, the maintenance of it, and would need to collect the property tax dollars for it. They would negotiate with the township to levy 15 mills for general operating millage against the taxable value. He suggested to the township that this should be a split of 3 mills to the township and a split of 12 mills to the city on the taxable value. This is what the township would otherwise levy against the property as far as the operating millage, fire millage, and a road millage. There was some concern with the 425 Agreement for the city because they do not want to take on the debt. Property taxes collected would not pay for the debt, and the city would be responsible for providing police and fire protection for the facility, which would be an additional cost. He stated it is not certain if the city would have to take on the debt with a 425 Agreement because the city could negotiate with Meijer to determine how to build the line and how it would be funded. The city would have to change their budget in order to take on this debt. Meijer has offered to pay for one-third of the project up front and once the project is completed, the store would pay for the rest of the project, with the stipulation that the township would pay the store back for two-thirds of the project. Inverness Township was concerned that they could not make the payments to the store. Under the USA, they have basically an agreement that is almost finished with two options right now. The township would charge Meijer for the water under the USA and debt; and would also pay the city to operate and manage the sewer system.

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Commissioner Brown stated that typically when a big box business comes in, they would follow a spin off. Would the city only incorporate that parcel under the 425 Agreement? Eustice stated that there was a little bit of a complication with the 425 Agreement in that area. The main property of 38.8 acres is not in US 27 DDA district, which is in the sewer district. So under the 425 Agreement, the city would only need to incorporate that legal description. There is an out Lot A on their site plan, which is just over an acre and likely where the restaurant would be built. This is in the US 27 DDA district and this can stay under the 425 Agreement. Also the gas station that they are planning on building would also be under the US 27 DDA, but would need water. The city would have to have an agreement to tap into the water line for these businesses and any other ones along US 27 corridor. He stated that the main part of the property is not going to be in the US 27 DDA district. This will be the bulk of the taxable value. It is estimated that the City would get \$57,000 in due taxes for the general fund. If the city has to shell out \$400,000 in debt to build the line with Meijer wanting an eight (8) year payback, we could not pay the debt back with just those tax dollars and also provide fire and police services. Staff might have to be added along with overtime. The numbers do not add up and some changes would have to be made. In the future, the taxable value for the city could increase. There is a large inventory of affordable housing, so that when Meijer locates here, there will be decent jobs and then people could purchase houses instead of renting.

Commissioner Sangster asked if they would be required to have a water certification under the USA. Eustice stated that they would use their licensing under the USA.

Commissioner Gouine asked if anyone has investigated how Meijer received their water in other towns. Eustice stated that there is 100 Meijer Stores in the State of Michigan. There are seven (7) of them under the 425 Agreement. One-third of them built in townships have a USA. In Manistee, Meijer has a USA with the City of Manistee. He stated that there really were only four (4) options: the USA, the 425 Agreement, the USA with Meijer, or the city could partner with Meijer. The best options were the 425 Agreement and the USA.

Commissioner Wallace asked if under the 425 Agreement, Meijer would need to have fire and police service. Eustice stated that one advantage to Meijer is they would pay higher taxes, but pay lower casualty insurance for the services provided.

Commissioner Brown asked what the tap fee would cost. Eustice stated that it would depend on the line size, but the typical tap fee would cost \$125,000. Any other business would also have to pay a tap fee regarding if it was in the City or Township. In this case, the fee would be paid back to the City. If Meijer wants water, they may have to pay for it. Maybe, they will come up with a different plan. When Walmart was building, they paid the tap fee, and the water and sewer was already there. The difference here is that a water line needs to be run from approximately one-half a mile or six hundred feet.

Commissioner Wallace asked if Meijer had researched what it would cost to install their own water supply. Eustice stated that with their site planning, they have done some engineering, and they would know the cost. We have a solid estimate of \$600,000. A twelve (12) inch water main would be run for the capacity of the fire suppression. It is cost prohibited for Meijer to drill its own well because the site is contaminated. The DEQ will not allow a well drilled within 2,000 feet of that property. It makes sense to tap into the water tower, which is only 2,600 feet away.

Attorney Tim MacArthur, further explained the situation. They are interacting on the USA. A draft had been supplied to the township in December. He stated the meetings that have been held have gone extremely well. Going back a few years, Commissioner Wallace and Commissioner Bolinger were the only two commissioners that attended the Inverness Township Sewer System Meetings. The County of Cheboygan was instrumental in the sewer system being developed. The township at that time did not have the necessary credit to bond the sewer system and had to use the county's credit to bond that project. Until those bonds, which are slated to be paid off in 2042, the sewer system is still technically owned by the county at this point and time. The township had

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been appointed as their agent to manage the sewer system. The Board of Commissioners has no responsibility in terms of managing the sewer system at this juncture. The water system was not contemplated when that sewer system was installed. If actions would have been taken back then, things would be different now. The township has the sewer capacity to supply the Meijer project and they have been advised of that, but at present does not have the municipal water capacity to supply the project. The township has been attempting to partner with the city to agree on a USA to supply water, not only to the Meijer project, but also for any spin off developments in and around the property in the vicinity of the Meijer project. Another township meeting is scheduled with the city next Wednesday. In the past month, there had been several revisions to the USA. He stated that the township has voted at a meeting in October 2016 that they wanted to pursue the USA option as opposed to the 425 Agreement option. The plan is to structure the USA a certain way for future water capacity needs in future development. Right now, the licensing and necessary permits for the treatment of the sewage was being handled by contract with the City of Cheboygan. They would also expect that as part of the USA, the City of Cheboygan would have a contract with the township to handle the water distribution.

Commissioner Matelski stated that it appears that the township wants a USA with the City of Cheboygan. MacArthur stated that Inverness Township has voted unanimously to pursue a USA with the City of Cheboygan and time was of the essence. The public has a position here, which is getting this done sooner than later. He believed that they have made some significant progress in the negotiations and he would expect an agreement in the next 30 days.

Commissioner Sangster asked about the USA and if it was their hope to get a capacity level. The provider is going to need to know how much water that is going to be able to be supplied and was this going to be included in the USA. MacArthur stated that they are working on a mechanism for the township and the city to sit down annually to see how much water is needed. The problem is with the water vs. sewage. The township and county have purchased additional sewer capacity from the City of Cheboygan. The sewer capacity is engaged in what is called REU – residential equivalent units. The township had purchased approximately 700 REU's and roughly only half of the sewage capacity is being used at this time. The city has no problem selling the water to the township. The problem is returning and processing that amount of water/sewage at the waste water treatment plant.

Commissioner Brown stated that the future tax base of the adjacent land to that parcel of property is obviously going to appreciate in taxable value drastically. At this time the land is worthless, but with water being supplied to it the taxable value to the township and rate of return would be great with the USA.

Commissioner Gouine asked how much Meijer would be willing to contract. MacArthur stated that they have heard that Meijer would contribute one-third, which was made in discussion with the city, but the township has not received a statement from Meijer stating the same. He did know that the city has had discussion with Meijer, as to them funding the entire project and then getting a payback from it. We had an initial dollar amount that was offered to the township to bring water to that site. Meijer is going to have to contribute to the water line regardless if it is put in by the city or the township.

Commissioner Sangster stated one of the reasons for having this meeting was to expedite the contract. MacArthur explained what the city wants to do with the USA is to rewrite the water and sewer agreement towards a comprehensive water and sewer agreement under the USA. In rewriting it, we would be coming to the county to have them sign off of it. There would be no substantial changes from the current document to the new document. Right now, however, there are four documents that basically apply to the sewer agreement and the city would like to see those four documents compressed into one comprehensive document. In terms of the obligations of the township, the county and the city, there are no substantial changes from the current sewer portion of the document. The DPW met at the Inverness Township hall multiple times and approved the expenditures for the project.

Citizens Comments

Bud Darnell explained that he was a resident of Benton Township and that this is a bigger issue involving the whole community and he didn't understand why this was taking so long. The Cheboygan Meijer Store was to be built before Alpena's. He was afraid that Meijer was going to wake up some day and change their minds. If we don't get this, which is such a significant opportunity for us related to employment. It has not been a fun time to do equal opportunity development here in Cheboygan because it is so hard to come by. So, when this one comes into our lap, we do not want to lose it. We have 30 days to go back to work and get it done.

Ray Lofgren explained that he was a resident of the City of Cheboygan; has attended a few of township meetings; and for information he wanted to tell the board where he thought a problem arose. He stated that two years have passed and he wanted to go back to the 425 Agreement where the City of Cheboygan and the township bumped heads. He stated that he didn't attend the Inverness Township meeting where Attorney MacArthur stated that Inverness Township wanted a Utility Security Agreement. However, when it was decided by the DDA Board, which is a recommendation group, who recommended to them on December 28th unanimously that they need a 425 agreement because they couldn't afford a USA, and they didn't have time for Attorney MacArthur to explain the difference between the two. In closing, he stated that he told the board that one or two things could happen. Meijer could say that the community of Cheboygan doesn't want it or the City of Cheboygan who is fully capable of supplying the water could say they are up to their ears. The DDA Board has suggested the 425 Agreement. In his opinion, it would have to be in a timely matter and it would have to be the 425 Agreement.

President of the Cheboygan School Board Roger Cronk thanked the township and everyone else for all their hard work. He stated that this business was needed in Cheboygan. There was a need for more families and kids in the schools. The school board was tired of making a budget on how many families were leaving and would rather make a budget on the number of families that were coming to Cheboygan.

Bethany Harris stated she was a recent resident of the City of Cheboygan and she works for some people who helps bring monies into the city. The people want more than Walmart or K-mart to shop at. Meijer has stepped up to bring jobs here. Everyone either has to drive to Gaylord or Petoskey to work or shop at a Meijer. She would like everyone to work together as citizens of this county to pull this all together by bringing growth and people together. Just look at the people that are here today. She thanked the Board of Commissioners, the City of Cheboygan, and Inverness Township and asked them to work together cooperatively so that we don't lose this opportunity.

Carl Muscott stated that he appreciated everyone that had showed up and to Commissioner Sangster for spear heading the meeting. This isn't the first time that the Board of Commissioners has asked about the delay of the Meijer Project. As Tom Eustice and Tim MacArthur conveyed, this is a complicated issue. He realizes that they have to be responsible to the taxpayers and look out for their best interest. He would rather see it resolved so it would work towards the future. Not just to rush this and, hopefully, Meijer's will stay in the game here. He sees it as investing \$600,000 in infrastructure costs and with probably a five or six million dollar payroll minimum from the Meijer store. It will also bring commuters and shoppers into the county.

Neil Forrester from Inverness Township stated that when they have a Special Meeting, all the township needs to do 18 hours prior to a meeting is to post it on the board outside of the building. Who is going to drive by to look at it? He has approached Administrator Lawson before about the county's website and having a portion saved for township notices. This is a lack of transparency in this day and age to let the public know. He would hope that Mr. Lawson would look into this so that they could vote about using this system.

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Debbie Flannery from Inverness Township stated that it really doesn't matter which township we live in. She thanked everyone for all their hard work and stated that she graduated in 1978 with 240 graduates. She has looked at all of the schools that have closed and all of the families who have left. There is a need to look at year round employment instead of seasonal work. It is a necessity and we better think about.

Roger Kopernik stated that he was at the DDA Meeting a couple months ago where they voted unanimously to move forward with the 425 Agreement. The people that serve on the DDA are some of the hardest working people in the county. What about those people that have millions of dollars invested already on that corridor. Inverness Township has been working hard and trying to do a lot of research. These are tough decisions that are coming down the pike. He thought that they were going to review the agreement before they made the final decision and now he hears that they did have a meeting and the township voted unanimously. Did he misunderstand something? He thought that the township was still weighing the possibilities of a subcommittee to negotiate with the engineer that the group that needs to be hired for the plant drawing, coordinating with Meijer to get the loan. He stated that it takes a lot of work to coordinate that. Let's focus on Meijer because a lot of time has gone by. The 425 Agreement is stretching the city very thin. The township would still be getting the millage without the liability. As long as we are still open to the idea after they look forward to see who is going to be responsible at the township level.

Kim Pappas stated that she is a resident of Aloha Township and works in Inverness Township stated that it is important as to what the future is going to bring. But it is also important to keep the entities that are already here. The hospital is a great example, which is a vital part of her business, her employment, and the other thirty people that are employed in Inverness Township here in Cheboygan County. She stated that it is important to see that we really need to keep it here and Meijer would be instrumental in bringing in more jobs. In the past three years, she has lost many employees due to lack of employment in the county. The growth of the county is important to keeping the entities that we already have here such as the library and the list goes on. She thanked them for all they do.

Aloha Township Supervisor, Chuck Maziasz, thanked the County Board for holding the meeting. He would like the County Board to get more involved in the negotiations because he could see this continuing for at least another year. Bring Meijer into the negotiations to see the dollar amount that they are willing to spend in the county. He asked the County Board to maybe get a couple members to attend these meetings. It has come to the point of no return.

Commissioner Matelski stated that legally Cheboygan County cannot get involved with the negotiations.

Steve Chimner questioned why the Board of Commissioners could not get involved. There are more questions as to what is going on coming from the audience directed to Mr. MacArthur and Mr. Eustice. He didn't understand why the three Commissioners in the precincts of the City and Commissioner Gouine of Inverness Township won't get more involved.

COMMISSIONER COMMENTS

Commissioner Brown commented that the first go around with Meijer was zoning. The zoning was expedited. Legally, the Board of Commissioners has no jurisdiction over the formalities of the townships. They are their own government entity and the voters in the audience voted the board in. This County Board is not held accountable. They have done everything to expedite the process as to what they can do to help bring growth in the county.

Commissioner Bolinger commented that the county needs the jobs and jobs lead to paychecks.

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Commission Matelski commented that they have all learned something today. Both the 425 Agreement and the USA is a viable option and it is up to Inverness Township to decide, which direction to go within 30 days.

Inverness Township Supervisor Ronald Neuman concurred that those were the comments of the township and they are looking at both of the options. He explained that the vote in October was to look at the Utility Service Agreement.

Attorney Macarthur stated that they have had several productive meetings with the city and Inverness Township will be meeting next week to pursue the Utility Service Agreement.

Motion by Commissioner Sangster, seconded by Commissioner Gouine to adjourn, Meeting adjourned at 10:39 a.m.

Karen L. Brewster
County Clerk/Register

Anthony M. Matelski
Chairperson