

**CITY OF OWOSSO**  
**REGULAR MEETING OF THE CITY COUNCIL**  
**MONDAY, JANUARY 07, 2013**  
**7:30 P.M.**

**Meeting to be held at City Hall**  
**301 West Main Street**

**AGENDA**

**OPENING PRAYER:**

**PLEDGE OF ALLEGIANCE:**

**ROLL CALL:**

**APPROVAL OF THE AGENDA:**

**APPROVAL OF THE MINUTES OF REGULAR MEETING OF DECEMBER 17, 2012:**

**ADDRESSING THE CITY COUNCIL**

1. Your comments shall be made during times set aside for that purpose.
2. Stand or raise a hand to indicate that you wish to speak.
3. When recognized, give your name and address and direct your comments and/or questions to any City official in attendance.
4. Each person wishing to address the City Council and/or attending officials shall be afforded one opportunity of up to four (4) minutes duration during the first occasion for citizen comments and questions. Each person shall also be afforded one opportunity of up to three (3) minutes duration during the last occasion provided for citizen comments and questions and one opportunity of up to three (3) minutes duration during each public hearing. Comments made during public hearings shall be relevant to the subject for which the public hearings are held.
5. In addition to the opportunities described above, a citizen may respond to questions posed to him or her by the Mayor or members of the Council, provided members have been granted the floor to pose such questions.

**PROCLAMATIONS / SPECIAL PRESENTATIONS**

None.

**PUBLIC HEARINGS**

1. Rezoning Request – 120 Michigan Avenue. Conduct a public hearing to receive citizen comment regarding request to rezone the parcel commonly known as the former Lincoln School, 120 Michigan Avenue, from RM-2, Multiple-Family Residential District - High Rise, to PUD, Planned Unit Development.

**CITIZEN COMMENTS AND QUESTIONS**

**CITY MANAGER REPORT**

Project Status Report

**CONSENT AGENDA**

1. Set Public Hearing – Site Plan Review 120 Michigan Avenue. Set a public hearing for Monday, February 4, 2013 to receive citizen comment regarding review of the site plan for the Planned Unit Development at 120 Michigan Avenue (the former Lincoln School).
2. 2013 Income Threshold Poverty Exemptions. Adopt the 2013 Income Threshold Poverty Exemptions, as required by Public Act No. 390 of 1994.

3. Boards and Commissions Appointments. Consider the following Mayoral boards and commissions appointments:

<b>Name</b>	<b>Board/Commission</b>	<b>Term Expires</b>
Elaine Greenway	Historical Commission (filling unexpired term of K. Stadler)	12-31-2014
Donald Schneider*	Historical Commission	12-31-2015

4. Change Order – 2012 Street Paving Program. Authorize Change Order No. 1 to the contract with Michigan Paving & Materials Company for the 2012 Street Paving Program for additional work and materials in the amount of \$59,510.34.
5. Payment Authorization – 2012 Street Paving Program. Authorize Progress Payment No. 4 to Michigan Paving & Materials Company for work completed through November 21, 2012 on the 2012 Street Paving Program in the amount of \$357,509.36.
6. Warrant No. 455. Authorize Warrant No. 455 as follows:

<b>Vendor</b>	<b>Description</b>	<b>Fund</b>	<b>Amount</b>
Sungard Public Sector Inc.	Software maintenance/licensing fees for Public Safety computer system Jan 1, 2013 – Dec 31, 2013	General	\$ 8,868.04
Netarx, LLC	Network Engineering Support – November 2012	General	\$ 6,664.00

### **ITEMS OF BUSINESS**

1. Executive Session. Authorize the holding of an executive session at the conclusion of the second session of Citizen Comments and Questions for the purpose of discussing land acquisition.
2. Contract Operation of Utilities. Report by the City Manager and discussion regarding seeking proposals for the operation and maintenance of water and wastewater facilities.

### **COMMUNICATIONS**

1. Downtown Development Authority/Main Street. Minutes of December 5, 2012.
2. Historical Commission. Minutes of December 10, 2012.
3. Downtown Historic District Commission. Minutes of December 19, 2012.

### **CITIZEN COMMENTS AND QUESTIONS**

### **NEXT MEETING**

Tuesday, January 22, 2013

### **BOARDS AND COMMISSIONS OPENINGS**

None.

### **ADJOURNMENT**

The City of Owosso will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon seventy-two (72) hours notice to the City of Owosso. Individuals with disabilities requiring auxiliary aids or services should contact the City of Owosso by writing or calling the following: Amy K. Kirkland, City Clerk, 301 West Main Street, Owosso, MI 48867 or at (989) 725-0500. The City of Owosso Website address is [www.ci.owosso.mi.us](http://www.ci.owosso.mi.us).

**OWOSSO CITY COUNCIL**

**DECEMBER 17, 2012**

**7:30 P.M.**

**PRESIDING OFFICER:** MAYOR BENJAMIN R. FREDERICK

**OPENING PRAYER:** REVEREND SUSAN KINGSLEY  
TRINITY UNITED METHODIST CHURCH

**PLEDGE OF ALLEGIANCE:** PUBLIC SAFETY DIRECTOR MICHAEL T. COMPEAU

**PRESENT:** Mayor Benjamin R. Frederick, Mayor Pro-Tem Cindy S. Popovitch,  
Councilpersons Loreen F. Bailey, Thomas B. Cook, Michael J. Erfourth,  
Christopher T. Eveleth and Burton D. Fox.

**ABSENT:** None.

A moment of silence was observed for the victims and families of the elementary school shooting in Connecticut last Friday.

**APPROVE AGENDA**

Motion by Councilperson Eveleth to approve the agenda as presented with the addition of the following two communications:

- William C. Brown, City Attorney. Opinion on Open Meetings Act.
- Michael T. Compeau, Public Safety Director. Police Report – November 2012.

Motion supported by Councilperson Erfourth and concurred in by unanimous vote.

**APPROVAL OF THE MINUTES OF REGULAR MEETING OF DECEMBER 3, 2012**

Councilperson Cook indicated he would like to see the comments from City Manager Crawford regarding changes in the personal property tax altered to better reflect his concern despite the fact the City's revenues from PPT are lower in proportion to many other communities.

Motion by Councilperson Cook to approve the Minutes of the Regular Meeting of December 3, 2012 with the changes noted.

Motion supported by Councilperson Eveleth and concurred in by unanimous vote.

**PROCLAMATIONS / SPECIAL PRESENTATIONS**

**PROCLAMATION – MICHAEL COMPEAU**

Mayor Frederick read aloud a Mayoral Proclamation recognizing Public Safety Director Michael Compeau for his years of service to the City upon the occasion of his retirement as follows:

**A PROCLAMATION  
OF THE MAYOR'S OFFICE OF THE CITY OF OWOSSO, MICHIGAN  
RECOGNIZING THE DISTINGUISHED PUBLIC SERVICE OF  
MICHAEL T. COMPEAU**

WHEREAS, Michael Compeau began his service to the City of Owosso as the Chief of Police on May 29, 2003; and

WHEREAS, Mike was promoted to Director of Public Safety in May of 2004; and

WHEREAS, his leadership in that newly created position has been essential to the success of the Department of Public Safety; and

WHEREAS, he has overseen the reorganization of the department and has instituted a number of new policies and training programs intended to improve safety, efficiency, and citizen satisfaction; and

WHEREAS, Mike's pursuit of grant funding has resulted in significant improvements including the hire of more police officers, the installation of an emergency generator for the Public Safety building, new heart monitor/defibrillators for each ambulance, new turn-out gear for paid-on-call firefighters, and funding for emergency services training; and

WHEREAS, in the course of his career Mike has consistently demonstrated the dedication, resourcefulness and forethought necessary to perform professional and responsible administrative work, leading the department through difficult circumstances, standing up in the face of criticism, and steadfastly moving to improve the department; and

WHEREAS, in his spare time, he continued to give of himself to the residents of the City through his involvement with the Red Cross and the Curwood Festival; and

WHEREAS, it is the intent of this Office that Mike's Honorable and Distinguished Public Service be recognized.

NOW, THEREFORE, BE IT PROCLAIMED that I, Benjamin R. Frederick, Mayor of the City of Owosso, on behalf of the citizens of Owosso, hereby recognize and thank Mike for his years of tireless and dedicated service to the Owosso community and further express our sincere wishes to Mike and his family for a long, healthy and happy retirement.

Proclaimed this 17<sup>h</sup> day of December, 2012.

Mr. Compeau addressed those present expressing his thanks for his hire as the City's Police Chief, he went on to thank City Manager Donald Crawford for his support saying he always made time for employees. He indicated that while the job can consume your life it was his pleasure to serve the City. Lastly, he thanked his wife, Cindy, and said he was looking forward to his retirement.

## **PUBLIC HEARINGS**

### **SPECIAL ASSESSMENT DISTRICT NO. 2012-03 – HAZARDS AND NUISANCES**

Mayor Frederick formally opened the hearing.

The following people commented regarding the proposed Special Assessment Roll:

Hanora Bignall, owner of 912 Chipman Street, indicated she possession of the property in August via tax sale and was told by the State of Michigan that she was not liable for any charges to the property accrued prior to sale. She said she had no plans to pay the bill she received and wanted to know how the situation could be resolved.

Gregory Polen, owner of 328 Prindle Street, indicated he was in a situation similar to that of Ms. Bignall saying he purchased his vacant lot via tax sale. He said he had checked with the courts and found nothing pending on the property and was also told by the State that any existing liens against the property wouldn't survive the tax sale process. He expressed his objection to the proposed special assessment of

his property. He went on to say he felt the special assessment process was misapplied in this situation and the obligations should be addressed through the court system. At the conclusion of his comments Mr. Polen gave a written copy of his objections to the Clerk.

Dan Mullin, owner of 502 Jennett Street, indicated he too had purchased his property through tax sale and the charges in question were accrued long before he owned it. He asked the Council to waive the charges associated with his property.

There were no further citizen comments regarding the proposed special assessment roll.

City Attorney William C. Brown addressed the Council saying he was in the process of researching the issue at hand. As a result of this research he advised Council to remove all of the parcels that had been sold via tax deed from the roll as State law indicated charges accrued prior to tax sale were waived as a part of the tax sale process. He noted the removal of the properties from the special assessment roll would not remove any court ordered liens. He advised he would continue to research the issue.

City Manager Crawford noted the Council may have to approve special assessments for hazards and nuisances charges more than once per year to avoid losing money when properties are sold via tax sale.

Motion by Councilperson Eveleth to adopt Special Assessment Resolution No. 2, removing the parcels sold through tax sale, as follows:

**RESOLUTION NO. 149-2012**

**SPECIAL ASSESSMENT DISTRICT NO. 2012-03  
HAZARDS AND NUISANCES**

WHEREAS, the City Council has met, after due and legal notice, and reviewed the Special Assessment Roll-Hazards and Nuisances prepared for the purpose of defraying the unpaid costs incurred in the altering, repairing, tearing down, abating or removing of hazards and nuisances of the following described property:

<b>PARCEL NUMBER</b>	<b>ADDRESS</b>	<b>BALANCE</b>
050-391-000-013-00	313 N Oak St	240.00
050-602-007-005-00	1803 W Stewart St	420.00
050-450-000-021-00	804 Center St	440.00
050-196-000-012-00	917 N Gould St	120.00
050-197-000-022-00	808 E North St	120.00
050-220-000-044-00	1420 Young St	240.00
050-391-000-030-00	315 N Oak St	120.00
050-602-014-008-00	1064 Tracy St	480.00
050-010-023-002-00	516 Garfield Ave	240.00
050-420-007-009-00	719 Lingle Ave	120.00
050-113-009-003-00	1314 W Stewart St	240.00
050-602-037-002-00	1600 W South St	320.00
050-580-000-030-00	215 S Dewey St	120.00
050-010-017-034-00	624 Alger Ave	240.00
050-113-006-005-00	1108 Ryan St	140.00
050-113-006-008-00	1415 Young St	120.00
050-010-003-015-00	702 Glenwood Ave	140.00
050-390-004-012-00	1260 Adams St	240.00
050-010-017-032-00	618 Alger Ave	120.00
050-536-000-034-00	1230 N Shiawassee St	160.00

050-660-011-001-00	219 N Cedar St	120.00
050-601-000-037-00	221 W Stewart St	140.00
050-060-006-003-00	810 Pine St	120.00
050-660-019-012-00	120 S Elm St	120.00
050-010-023-004-00	528 Garfield Ave	160.00
050-601-000-001-00	409 Grace St	120.00
050-090-001-003-00	1408 W Main St	120.00
050-602-008-011-00	937 Kenwood Dr	120.00
050-470-007-015-00	211 E Williams St	120.00
050-320-011-003-00	119 Elizabeth St	120.00
050-602-001-004-00	820 S Chipman St	140.00
050-320-000-100-00	115 Stratford Dr	140.00
050-601-000-037-00	221 W Stewart St	140.00
050-601-000-037-00	221 W Stewart St	351.45
050-010-017-034-00	624 Alger Ave	221.91
050-010-023-001-00	990 Corunna Ave	160.53
050-580-000-069-00	824 E Main St	543.05
050-602-037-002-00	1600 W South St	428.88
050-196-000-012-00	917 N Gould St	334.36
050-090-002-016-00	1419 Cleveland Ave	153.22
050-602-003-011-00	830 Wilkinson St	487.38
050-450-000-021-00	804 Center St	143.95
050-602-001-004-00	820 S Chipman St	394.95
050-113-003-007-00	919 Milwaukee St	394.87
050-700-001-013-00	117 S Shiawassee St	7,759.60
050-602-014-008-00	1064 Tracy St	521.62
050-115-002-014-00	1131 S Shiawassee St	79.65

18,035.42

and

WHEREAS, after hearing all persons interested therein and after carefully reviewing said Special Assessment Roll-Hazards and Nuisances the Council deems said Special Assessment Roll-Hazards and Nuisances to be fair, just and equitable and that each of the assessments contained thereon results in the special assessment being in accordance with the unpaid costs incurred in the altering, repairing, tearing down, abating or removing of hazards and nuisances of said properties.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Said Special Assessment Roll-Hazards and Nuisances as prepared by the City Assessor in the amount of \$18,035.42 is hereby confirmed and shall be known as Special Assessment Roll-Hazards and Nuisances No. 2012-03.
2. Said Special Assessment Roll-Hazards and Nuisances No. 2012-03 shall be placed on file in the office of the City Clerk who shall attach his warrant to a certified copy thereof within ten (10) days commanding the Assessor to spread the various sums shown thereon as directed by the City Council.

Motion supported by Councilperson Erfourth.

Roll Call Vote.

AYES: Councilperson Cook, Erfourth, Fox, Eveleth, Bailey, Mayor Pro-Tem Popovitch, and Mayor Frederick.

NAYS: None.

### **CITIZEN COMMENTS AND QUESTIONS**

Gary Ballenger, 806 S. Saginaw Street, expressed his concern over the City's financial status saying he was worried that retiring DPW workers are not being replaced while Council members received hefty compensation for their work. He asked that Council address the issue.

Eddie Urban, 601 Glenwood Avenue, spoke about a number of items including Mr. Compeau's pending retirement, hearing assistance in the Council Chambers, City Council's wages, video-taping the meetings, and locating a model of the City's 1924 Lafrance pumper truck.

Gregory Polen, owner of property at 328 Prindle Street, noted this was his first time appearing before a governing body and went on to say he was pleased the Council was reasonable about the special assessment roll.

Mayor Frederick thanked Assistant City Manager Adam Zettel for his work on the Emerson Grove grant saying he was excited about the prospect of partnering with the Schools to improve their playgrounds.

Councilperson Bailey thanked Public Safety Director Compeau for his 10 years of service. She said he was thoughtful in his implementation of the law and as the principal of Central School she relied on his input regarding safety considerations.

Councilperson Fox noted Council members are paid \$10 per meeting. He noted that he had had disagreements with Compeau over the years but it was never personal. He went on to say that he would like to see the City revert back to having two separate chiefs for the police and fire departments. He said he felt safety could be improved by the move and there would be no increase in costs if the City hired two retired former chiefs to fill the positions.

Mayor Pro-Tem Popovitch inquired whether the City had put anything in place to allow employees in pivotal positions to mentor someone to fill their position. On a separate note she said she had greatly enjoyed all of the holiday decorations she has seen around town this year.

Councilperson Erfourth thanked Public Safety Director Compeau for his service saying he recognized the job was thankless in many ways, it was easy for others to judge the job that was being done, and that many forgot that there was a person behind the position.

Councilperson Cook echoed Councilperson Erfourth's comments saying he appreciated Mr. Compeau's diligence and dedication over the years. He also commended him for his leadership during the shift toward a true public safety department.

### **CITY MANAGER REPORT**

City Manager Crawford noted that he was not sure why anyone would think the City was broke. He went on to say that the City was experiencing a large number of retirements but some positions would be able to be filled internally.

### **CONSENT AGENDA**

Motion by Councilperson Eveleth to approve the Consent Agenda as follows:

Boards and Commissions Appointments. Consider the following Mayoral boards and commissions appointments:

Name	Board/Commission	Term Expires
Nicole Hathaway	Parks & Recreation Commission	06-30-2014
John Horvath	Zoning Board of Appeals – Alternate (Filling unexpired term of E. Frasier)	06-30-2013

Grant Agreement Authorization. Authorize resolution approving the execution of a grant agreement with the Michigan Department of Natural Resources for \$3,800 to assist in the restoration and maintenance of Emerson Grove located at Emerson Elementary School as follows:

**RESOLUTION NO. 150-2012**

**RESOLUTION AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR  
THE MICHIGAN DNR COMMUNITY FORESTRY GRANT PROGRAM  
EMERSON GROVE PLANTING PLAN**

WHEREAS, the oak grove at Emerson School, also known as Emerson Grove, is an historic site known and cherished throughout the community as a mature and shaded cluster of oaks that brings the feel of a forest to the heart of the community; and

WHEREAS, the Emerson Grove is aging beyond a point where regular maintenance will sustain the oak trees, leading to the demise of such trees and the grove itself; and

WHEREAS, many community members affiliated with the Owosso Public Schools, the City of Owosso, local businesses, and the general public feel that a reinvestment in this asset is necessary to preserve the heritage and improve the quality of life in the community; and

WHEREAS, a project is proposed that will partner the City of Owosso with the Owosso Public Schools in order to plant new oaks and maples on an historic public property in Owosso, to use this project to educate and promote best practice forestry goals and operations within the school operations department and its students, and to use this project to showcase urban forestry to volunteers and the community at large in an effort to build a stronger culture of urban forestry stewardship; and

WHEREAS, the City of Owosso has written and received a grant in the amount of \$3,800 to assist with this endeavor.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Owosso, Shiawassee County, Michigan that:

- FIRST: The City of Owosso has theretofore determined that it is advisable, necessary and in the public interest to accept the grant and enter into an agreement with the Michigan Department of Natural Resources for the purpose of replanting Emerson Grove.
- SECOND: The Mayor is instructed and authorized to sign the document substantially in the form attached, Agreement between the City of Owosso, Michigan and the Michigan Department of Natural Resources.
- THIRD: The Owosso City Council commits to funding, through in-kind services of its staff and workforce, such elements as outlined in the grant application. Any expenses related to this project shall be paid from the General Fund with reimbursement from the Michigan Department of Natural Resources in the amount of \$3,800, such expenses to be dedicated to the purchase of 32 trees as outlined in the grant.
- FOURTH: The City of Owosso agrees to maintain satisfactory financial accounts, documents and records and make them available to the Department of Natural Resources for auditing at reasonable times.



FIFTH: The staff of the city shall be able to alter the scope of this project, in conjunction with the OPS and DNR, contingent upon any additional fundraising efforts.

Purchase Authorization. Authorize the purchase of electronic records management software from General Code, further authorize the purchase of necessary hardware components in a total amount not to exceed \$25,000.00, and approve payment to relevant vendors in an amount not to exceed the approved cost as follows:

**RESOLUTION NO. 151-2012**  
**RESOLUTION AUTHORIZING THE EXECUTION OF**  
**A PURCHASE ORDER WITH**  
**GENERAL CODE, LLC**  
**FOR ELECTRONIC RECORDS MANAGEMENT SOFTWARE**

WHEREAS, the City of Owosso generates and receives many, many records each year; and

WHEREAS, the City of Owosso has a responsibility to maintain those records for the benefit of the citizens it serves; and

WHEREAS, the City of Owosso wishes to move into the 21<sup>st</sup> century by digitizing its historical documents and providing significantly improved access to and management of those documents through the employment of an electronic records management system; and

WHEREAS, the State of Michigan has placed stringent requirements on electronic records management systems effectively limiting the number of products meeting those standards; and

WHEREAS, the City of Owosso received a quote from General Code, LLC, the official vendor for LaserFiche products in the Michigan area, a product which meets the State's requirements and is recommended by other Michigan municipalities; and

WHEREAS, a new server, a high speed scanner, and at least one new computer will be necessary to implement this program.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Owosso, Shiawassee County, Michigan that:

- FIRST: The City of Owosso has heretofore determined that it is advisable, necessary and in the public interest to purchase electronic records management software from General Code, LLC, and to waiving the bidding requirement.
- SECOND: The mayor and city clerk are instructed and authorized to sign the document substantially in the form attached as Exhibit A, Contract for Purchase between the City of Owosso, Michigan and General Code, LLC in the amount of \$17,086.00.
- THIRD: Staff is authorized to purchase equipment and accessories necessary for implementation of the program in an amount not to exceed \$7,914.00, for a total project price not to exceed \$25,000.00
- FOURTH: The above expenses shall be paid from the General Fund.

Warrant No. 454. Authorize Warrant No. 454 as follows:

Vendor	Description	Fund	Amount
Rehmann Robson	Progress billing in connection with	General	\$ 15,000.00

	the audit of the June 30, 2012 financial statements		
State of Michigan-MDEQ	NPDES Annual Permit Fee – FY 2013	WWTP	\$ 5,500.00
Brown & Stewart PC	Professional Services Nov 13, 2012 – Dec 10, 2012	General	\$ 9,415.53

Check Register - November 2012\*. Affirm check disbursements totaling \$841,848.09 for the month of November 2012.

Motion supported by Councilperson Fox.

Roll Call Vote.

AYES: Councilpersons Erfourth, Cook, Bailey, Fox, Eveleth, Mayor Pro-Tem Popovitch, and Mayor Frederick.

NAYS: None.

\*Due to its length, full text of the Check Register is not printed in the minutes. Copies of this document can be found, in its entirety, in the Clerk's Office.

Mayor Pro-Tem Popovitch briefly stepped out of the meeting.

**ITEMS OF BUSINESS**

**2011-2012 AUDIT ACCEPTANCE**

City Manager Crawford relayed the highlights of the audit, saying it was deemed a clean audit. He also presented the Council with a letter from the auditors in fulfillment of SAS No. 114.

Motion by Councilperson Eveleth to approve the following resolution accepting and placing on file the City of Owosso Financial Report with Additional Information for the Fiscal Year Ended June 30, 2012.

**RESOLUTION NO. 152-2012**

**RESOLUTION ACCEPTING AND PLACING ON FILE  
THE CITY OF OWOSSO, MICHIGAN FINANCIAL REPORT  
WITH ADDITIONAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

WHEREAS, the city of Owosso is required by the laws of the state of Michigan to annually have an independent audit performed in accordance with generally accepted auditing standards, and

WHEREAS, the city of Owosso employed Rehmann Accounting LLC certified public accountants, to audit the financial records of the city of Owosso and such audit has been completed and is presented this date to the city council;

NOW THEREFORE BE IT RESOLVED by the city council of the city of Owosso, Shiawassee County, Michigan that:

FIRST: The *City of Owosso, Michigan Financial Report with Additional Information for the Fiscal Year Ended June 30, 2012*, attached hereto and made a part hereof as Exhibit A and the same is hereby accepted and placed on file.

SECOND: A copy of the *City of Owosso, Michigan Financial Report with Additional Information for the*

*Fiscal Year Ended June 30, 2012* will be maintained on file in the office of the city clerk for public examination, a copy will be placed in the Shiawassee District Library Owosso Branch for public examination, and copies will be sent to those required by law and agreement.

Motion supported by Councilperson Erfourth.

Roll Call Vote.

AYES: Councilpersons Fox, Eveleth, Bailey, Cook, Erfourth, and Mayor Frederick.

NAYS: None.

Mayor Pro-Tem Popovitch returned to the meeting.

### **FUNDS TRANSFER TO DDA**

There was significant discussion regarding what led to the current transfer request, the DDA's transition to a more independent organization, and its plan for funding post transition.

Councilperson Cook noted his strong desire for the development of a policy to govern capital improvement projects in the downtown clearly spelling out the responsibilities of the various entities having an interest in the downtown.

It was noted that after the transition to a more autonomous structure the DDA would be requesting a tax anticipation loan to cover operating costs until they were in receipt of the annual TIF levy.

Motion by Councilperson Cook to approve the following resolution authorizing the transfer \$18,234.70 of the remaining funds from the VSCI Grant Bond sale to the DDA for reimbursement for capital improvements made in 2012 for Woodard Place located on Exchange Street.

### **RESOLUTION NO. 153-2012**

#### **RESOLUTION AUTHORIZING THE TRANSFER OF FUNDS FROM 2009 LTGO BOND ISSUE TO DOWNTOWN DEVELOPMENT AUTHORITY**

WHEREAS, the city of Owosso, Shiawassee County, Michigan, issued a first series of Limited Tax General Obligation Bonds (LTGO) for \$950,000 in June 2009 for the purpose of matching a Vibrant Small Cities Initiative grant for capital improvements in the downtown, and

WHEREAS, at a regular meeting of the Downtown Development Authority (DDA) held on November 7, 2007 the board unanimously approved a resolution pledging tax increment revenues for the full payment of principal and interest on the 2009 LTGO Series I Bonds as they come due, and

WHEREAS, the remaining unspent 2009 LTGO bond proceeds on deposit with the City at this date amount to \$85,937.83, and

WHEREAS, the DDA has submitted a request to the City to be reimbursed for capital improvements made in 2012 for Woodard Place located on Exchange Street in the amount of \$18,234.70.

NOW THEREFORE BE IT RESOLVED by the city council of the city of Owosso, Shiawassee County, Michigan that:

FIRST: The city of Owosso, in reliance on paid invoices submitted and assurances given by the DDA, meet the definition of capital expenditures as defined in Treasury Regulation §1.150-1(b); are public improvements meeting the private activity tests as described in §1.141-12

SECOND: The city of Owosso recognizes the DDA had pledged to pay the principal and interest on the bonds issued by the City and therefore should cooperatively direct public improvements in the downtown.

THIRD: The Finance Director is hereby authorized to transfer the amount of \$18,234.70 to the DDA from the Downtown Capital Projects Fund 494

Motion supported by Councilperson Eveleth.

Roll Call Vote.

AYES: Councilpersons Bailey, Fox, Mayor Pro-Tem Popovitch, Councilpersons Cook, Eveleth, and Mayor Frederick.

NAYS: Councilperson Erfourth.

### **COMMUNICATIONS**

1. William C. Brown, City Attorney. Open Meetings Act opinion regarding holiday parties (added at meeting).
2. Michael T. Compeau, Public Safety Director. November 2012 Police Report (added at meeting).
3. Karen Stadler, Historical Commission. Letter of resignation.
4. Charles P. Rau, Building Official. November 2012 Building Department Report.
5. Charles P. Rau, Building Official. November 2012 Code Violations Report.
6. Michael T. Compeau, Public Safety Director. November 2012 Fire Report.
7. Planning Commission. Minutes of December 10, 2012.

Councilperson Bailey left the meeting at 8:41 p.m.

### **CITIZEN COMMENTS AND QUESTIONS**

There were no citizen comments.

Councilperson Cook said he felt very strongly about developing a policy governing capital improvement projects in the downtown to avoid any confusion over who will pay for such improvements, who will own them and how they will be maintained. Mayor Frederick indicated he will approach the DDA with the request.

Councilperson Erfourth noted that he would like more information from the DDA if they are going to fund themselves in the future through tax anticipation loans from the City.

Councilperson Fox wished everyone a Merry Christmas and a Happy New Year.

Mayor Frederick thanked Public Safety Director Compeau for his service and further thanked him for the personal contributions he has made to the community through his work with organizations like the Red Cross and the Curwood Festival. Lastly he thanked Mr. Compeau's wife for her support as well.

### **NEXT MEETING**

Monday, January 07, 2013

### **BOARDS AND COMMISSIONS OPENINGS**

Historical Commission, term expires 12-31-2014

**ADJOURNMENT**

Motion by Councilperson Eveleth for adjournment at 8:45 p.m.

Motion supported by Councilperson Erfourth and concurred in by unanimous vote.

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Benjamin R. Frederick, Mayor

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Amy K. Kirkland, City Clerk



301 W. MAIN • OWOSSO, MICHIGAN 48867-2958 • (989) 725-0599 • FAX (989) 723-8854

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# *MEMORANDUM*

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DATE: December 13, 2012

TO: OWOSSO CITY COUNCIL

FROM: Adam Zettel, AICP

RE: Zoning Map Amendment – 120 Michigan Avenue

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The city has been approached by a private developer to develop the Lincoln School property in downtown Owosso for senior housing. To do so, they are requesting rezoning of the Lincoln School to a Planned Unit Development (PUD).

The company that redeveloped the Sycamore House in Durand for senior housing is looking to do the same thing here in Owosso. Because they want to construct a substantial building expansion, they will need a slew of variances or a rezoning to make this happen. The big problem is that they cannot achieve setbacks that are required in the multiple family residential districts if they are to build a building that achieves the goals of the master plan and allows for a reasonable density. (They are proposing setbacks to match the existing school, instead of the 30 foot setbacks required by ordinance for front yards).

The rezoning process for the PUD is complicated. I have included the ordinance section in the accompanying documentation. In essence, the property can only be rezoned for a specific use and construction plan as attached to the rezoning approval in the form of a development program and supplemental regulations. More simply stated, a developer is allowed to get a flexible zoning classification as long as they commit and are bound to build the site out as conditioned in the site plan. This is similar to contract zoning.

The developer has included the development program, supplemental regulations, and concept proposal in their application. Note that a final site plan will still be required if the zoning is approved. This set of documentation is expected to be made a part of the official zoning change, but it is conceptual in nature and does not vest the petitioners with the right to build on or use the site in any way till the final site plan is approved.

I believe this is a fantastic project and a great proposal. The petitioner desires to renovate the site to include 28 senior housing units. Some of these will be built in the existing structure and some will be built in a complimentary additional that will front Clinton Street. In order to achieve building layout and density, as well as to create a 'street wall' appearance that compliments the Michigan Avenue building, the PUD has been mutually agreed to be the ideal way to proceed.

To that end, the petitioner's have applied and have worked with staff on the delivery of required materials and required staff meetings to make the project eligible for rezoning at the commission and city council level. The renderings and other materials are included in your packet. Please compare these to the highlighted requirements in section 38-395 of the zoning ordinance. Again, note that these are for conceptual purposes only! A separate site plan review based upon these renderings and the attached assumptions will be presented to the commission at a later date (assuming a successful rezoning).

The planning commission deliberated and held a public hearing on this petition on November 26, 2012. The application, with the accompanying development plan, conceptual renderings, and supplemental regulations were found to meet or exceed the provisions of Section 38-395 as required for PUD zoning. The commission subsequently recommended approval of the zoning request as submitted.

The only comment received so far was a verbal comment to staff that consisted of a concern for the continued integrity of Clinton Street throughout the construction process. This is something we anticipate mitigating through any subsequent permitting process.

I therefore recommend that the city council approve the zoning petition. I will be available to explain this ordinance in more detail at the meeting if necessary.

**ORDINANCE NO. \_\_\_\_**

**AN ORDINANCE AMENDING  
CHAPTER 38, ZONING, SECTION 38-27, ZONING DISTRICTS AND MAP,  
OF THE CODE OF ORDINANCES  
TO REZONE A SPECIFIC PARCEL OF REAL PROPERTY AND AMEND THE ZONING MAP**

WHEREAS, an owner interest in 120 Michigan Avenue, parcel number 050-700-001-008-00, petitioned to rezone this parcel from Multiple Family Residential (RM-2) to Planned Unit Development (PUD) for the purpose of constructing a building addition and using the site for senior housing; and

WHEREAS, the petition includes a development program, supplemental regulations, and a set of conceptual renderings that are officially made a part of the zoning amendment; and

WHEREAS, the planning commission published and mailed notices for the request, held a public hearing on the request, and deliberated on the request; and

WHEREAS, the planning commission found that the proposed ordinance meets the intent and criteria for a zoning amendment as it relates to the master plan and the zoning ordinance; and

WHEREAS, the city staff and planning commission recommend, without reservations or conditions, the rezoning of 120 Michigan Avenue to a PUD; and

WHEREAS, the city council has held a public hearing on this petition; and

WHEREAS, the city council finds that the zoning petition meets the intent and criteria for a zoning map amendment, specifically as it relates to the requirements of Section 38-395.

THEREFORE, THE CITY OF OWOSSO ORDAINS, that Chapter 38, Zoning, of the Code of the City of Owosso be amended as follows:

Section 1. That Chapter 38, Zoning, of the Code of the City of Owosso, Sec. 38-27, Zoning Districts and Map, reflect the changes as illustrated and attached to the record hereto and filed with the city clerk:

Parcel Number:	050-700-001-008-00
Property Address:	120 Michigan Avenue
Property Description:	LOTS 8, 9, 10 & 11 WODDARD SUBDIV BLK 1 A L WILLIAMS ADD
Zoning Designation:	From RM-2
	To PUD

Section 2. This amendment shall become effective January 27, 2013.

Section 3. This ordinance may be purchased or inspected in the city clerks' office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.

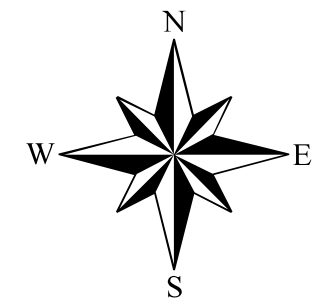
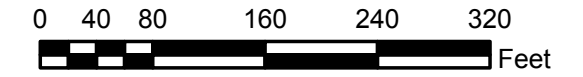




# City of Owosso

120 Michigan Avenue

November 27, 2012



**Sec. 38-395. - PUD planned unit development regulations and standards for approval.**

The provisions of this section shall apply to all PUD zoning districts:

(1) Definitions.

a. *Conceptual PUD plan*: A graphic depiction in plan form of the elements of a planned unit development district, which illustrates the PUD development program and the district's supplemental regulations.

b. *PUD development program*: A written document describing the objectives, purposes, and beneficial effect for the city proposed to be achieved by the PUD zoning district.

c. *Supplemental regulations*: A written document which contains the zoning and site development requirements which, once approved, become part of the ordinance establishing the PUD zoning district, and, in addition to current city regulations and ordinances, will be in effect for the district.

(2) *Modifications permitted*. In order to achieve a beneficial effect for the city, the planning commission may recommend and city council may approve, as part of the supplemental regulations, modifications that increase, decrease, or eliminate the requirements listed below for equivalent land uses and intensities:

a. Use regulations, and area, height and placement regulations as provided in [section 38-351](#)

b. Off-street parking requirements as provided in this chapter, [section 38-380](#)

c. Landscaping, screening, and buffer requirements as provided in this chapter, [section 38-384](#) and [section 38-389](#)

(3) *The PUD process*. The PUD process shall involve three (3) consecutive steps: pre-application conference, PUD zoning district review, and PUD site plan review. The pre-application conference occurs before the applicant has submitted a formal application; zoning district and site plan reviews occur after the applicant has submitted a formal petition. The PUD site plan review may occur only if the PUD zoning district has been approved as required by this chapter.

a. *Pre-application conference*. Before submitting an application, the applicant shall contact the community development director (hereinafter "director") to schedule a pre-application conference with city staff that shall include the city manager, the building official, the city engineer, the director and other city personnel and consultants as deemed appropriate. At the conference, the applicant shall present the proposed conceptual PUD plan and PUD development program with emphasis on

timing, open space and residential density. The staff will take no official action, but may provide the applicant with their comments regarding the appropriateness of the proposed land uses, the proposal's conformance with adopted master plan and policies, the necessity of a traffic impact study, the beneficial effects to be achieved, whether or not a model may be required and whether applicant's requests for zoning district approval and PUD site plan approval should be presented together at the same meeting or independently at separate meetings. No fees will be charged for the preliminary review.

b. *PUD zoning district review.* PUD zoning district review involves departmental and commission review of the conceptual PUD plan, the PUD development program, and supplemental regulations to determine consistency with or the appropriateness for deviating from the city's adopted plans and policies and its suitability for inclusion in the land use and zoning plans of the city and adoption by city council as part of the zoning ordinance. Once approved by the city council, the property shall be zoned to a PUD zoning district, and use of the property shall be regulated by the supplemental regulations and all other applicable code requirements.

c. *PUD site plan review.* Review and approval of a PUD site plan consistent with the requirements of this chapter is required prior to the issuance of permits. If the PUD zoning district provides that a PUD may be developed in phases, as shown on the conceptual PUD plan, approval of a PUD site plan for each phase is required prior to the issuance of permits for that phase.

(4) *PUD zoning district review submittal requirements.* The applicant for any PUD zoning district shall submit a complete application together with the following materials:

a. Information that indicates the entire parcel or parcels for which application is made is under one (1) ownership, or the application shall be made with the written authorization of all property owners who have a legal or equitable ownership interest in the property or properties. Application for a PUD zoning district may be made only by or with the written authorization of the owner(s) of the parcel(s) involved. All property that is proposed to be part of the development shall be included in the PUD zoning.

b. The planning commission may request that the applicant provide a market study demonstrating the market demand and feasibility of a proposed PUD project.

c. Sheet size of conceptual drawings shall be at least 24 inches by 36 inches, with graphics at an engineer's scale. The applicant shall also submit a set of plans on 11" × 17" sheets, with at least one (1) sheet in color, highlighting landscaped and open space areas.

d. A conceptual PUD plan containing the information required in this chapter for site plan reviews. In addition such plan shall include, but not be limited to: criteria of area, height, and placement standards; the location and relationships of permitted land

uses; parking and circulation systems; landscape features; preserved natural features; architectural design components and use of building materials, proposed phasing, and any other unique physical characteristics which warrant the PUD zoning.

e. A boundary survey and legal description of the parcel(s) to be zoned.

f. A PUD development program describing the objectives, purposes, and beneficial effect for the city proposed to be achieved by the PUD zoning district; why this beneficial effect cannot be achieved under any other zoning designation; and its conformity to the adopted master plan and policies of the city or detailed compelling justification for departures from the plan and policies.

g. Proposed supplemental regulations for the PUD zoning district which shall include, but not be limited to permitted land uses; accessory uses; minimum and maximum standards of lot area and lot area per dwelling unit, if applicable; minimum usable open space in percentage of lot area; minimum required front, side and rear setbacks; maximum height and number of stories. The supplemental regulations shall include sufficient analysis and justification for the beneficial effect and detailed performance standards by which the development will be evaluated and the beneficial effect achieved. Such analysis and justification may include, but are not limited to:

1. A comprehensive analysis of the surrounding neighborhood, providing such details as scale of structures, minimum and maximum height and number of stories, minimum and maximum setbacks, historic or architectural styles or features, building materials and colors, and other unique features and a detailed analysis of how the PUD site plan and design contribute to the neighborhood.

2. A comprehensive analysis of the unique features of the site, including such components as topography, site orientation, circulation, or special condition and a detailed analysis of how the PUD site plan and design contribute to the preservation, protection, utilization, and enhancement of the site's unique features.

h. A study model, indicating the three-dimensional character of the proposal, unless determined by the planning commission during its preliminary review that one is unnecessary. With the approval of the director, other visual representations such as computer-enhanced photography or video may be substituted.

i. Any additional graphics, photographs, traffic impact studies, or written materials requested by the director, commission or city council to assist the city in visualizing and understanding the proposal and assessing the possible benefits and impacts.

(5) *Procedure for PUD zoning district review.* A PUD zoning district is established as follows:

- a. All required materials with sufficient number of copies, together with appropriate fees as established by city council, shall be filed with the community development

director. Copies of the materials will be distributed by the director to the appropriate city departments and other reviewing agencies for review to determine the following:

1. If the development can be accommodated by the existing public utility, street, and general city service facilities, or if any additions to, or extension of facilities are necessary for the project.
  2. If the proposal meets the standards for PUD zoning district approval listed below.
  3. If the development will comply with all applicable local, state, or federal laws, ordinances, standards, and regulations or provides sufficient compelling justification for modifications of those local ordinances, standards or regulations as permitted for PUDs, and
  4. If the proposal conforms to the adopted master plan and policies, or provides sufficient compelling justification for departure from the adopted plan and policies.
- b. The director will notify the applicant of any questions raised by the city departments and other reviewing agencies and shall submit a report to the commission for its consideration including an evaluation of the planning aspects of the project and its impact on the present and future development of the city.
- c. The commission shall hold a public hearing with notification as required by this chapter for zoning ordinance amendments.
- d. The commission shall recommend to city council an action as it deems proper and shall transmit its recommendation together with any recommended conditions of approval and all related reports and minutes to city council.
- e. Before taking final action on the petition, the city council shall hold a public hearing with notification as required by this chapter for zoning ordinance amendments.
- f. A protest of a proposed PUD zoning district may be presented as provided in this chapter for zoning ordinance amendments.
- g. The director shall keep a record of all approved PUD zoning districts and supplemental regulations. Notice of approvals shall be published as required by this chapter for zoning ordinance amendments.

**(6) Standards for PUD zoning district review.** The commission shall recommend approval, approval with conditions, or denial, and city council shall approve, approve with conditions, or deny the proposed PUD zoning district based on the following standards:

a. The use or uses, physical characteristics, design features, or amenities proposed shall have a beneficial effect for the city, in terms of public health, safety, welfare, aesthetics, or convenience, or any combination thereof, on present and potential surrounding land uses. The beneficial effects for the city, which warrant the zoning, include, but are not limited to, features such as:

1. Innovation in land use and variety in design, layout and type of structures that furthers the stated design goals and physical character of adopted land use plans and policies;

2. Economy and efficiency of land use, natural resources, energy, and provision of public services and utilities;

3. Provision of usable open space;

4. Preservation and protection of natural features that exceeds ordinance requirements, especially for those features prioritized in the land development regulations as being of highest concern, or that preserves existing conditions instead of merely providing mitigation;

5. Employment and shopping opportunities particularly suited to the needs of the residents of the city;

6. Expansion of the supply of affordable housing; and

7. The use and reuse of existing sites and buildings that contributes to the desired character and form of an established neighborhood.

8. The reduction, to a significant extent, the nonconformity of a nonconforming use or structure so that the site is rendered nonconforming or less offensive to the character of the neighborhood and the health, safety and general welfare of the vicinity.

b. This beneficial effect for the city shall be one which could not be achieved under any other zoning classification and shall be one which is not required to be provided under any existing standard, regulation or ordinance of any local, state or federal agency.

c. The use or uses proposed shall not have a detrimental effect on public utilities or surrounding properties.

d. The use or uses proposed shall be consistent with the master plan and policies adopted by the city or the applicant shall provide adequate justification for departures from the approved plans and policies.

e. If the proposed district allows residential uses, the residential density proposed shall be consistent with the plans and policies adopted by the city.

f. The supplemental regulations shall include analysis and justification sufficient to determine what the purported benefit is, how the special benefit will be provided, and performance standards by which the special benefit will be evaluated.

g. Safe, convenient, uncongested, and well-defined vehicular and pedestrian circulation within and to the district shall be provided and, where feasible, the proposal shall encourage and support the use of alternative methods of transportation.

h. Disturbance of existing natural features, historical features and historically significant architectural features of the district shall be limited to the minimum necessary to allow a reasonable use of the land and the benefit to the community shall be substantially greater than any negative impacts.

(7) Effect of PUD zoning district approval.

a. Approval of the PUD zoning district by city council shall rezone the property to a "PUD" zoning classification for the land uses, the area, height, and placement standards, and the objectives, purposes, beneficial effects, and special conditions provided in the PUD development program, the conceptual PUD plan, and supplemental regulations for the zoning district. In the case of differences between plans and written documents, written documents shall govern.

b. The approval shall confer upon the owner or subsequent owners the right to seek PUD site plan approval for the proposal or for any of its approved phases in accordance with the site plan, the approved PUD zoning district and supplemental regulations and city regulations and ordinances.

c. A PUD zoning district and its supplemental regulations shall remain in effect as approved until a change to the PUD zoning district has been approved.

(8) *Changes to a PUD zoning district.* A change to a PUD zoning district may be accomplished by amending the PUD zoning district by the process provided for establishment of a PUD zoning district or by rezoning to a different zoning district pursuant to the procedures of this chapter for zoning ordinance amendments.

(9) Any deviation from the approved PUD zoning district or PUD site plan, except as authorized in this chapter, shall be considered a violation of this chapter and subject to the penalties stated herein.

(Ord. No. 662, § 1, 10-18-04)

### 3.8 EDUCATIONAL SERVICES



Education plays one of the most important roles in the new economy. As the economy in the United States continues to shift from one of production to one of service, a knowledgeable and talented workforce is replacing traditional infrastructure as the most important resources for business. Owosso offers quality education at all levels to meet this need.

#### Owosso Public Schools

Community

The Owosso Public School (OPS) system is the only public school provider for K-12 education in the city. The district educates about 3,200 students in three elementary schools (Central, Bryant, and Emerson), the Middle School, and the High School. The district also offers an alternative education program at the Washington Campus, which is a former elementary school.

All of these facilities play an important role in the community. In addition to providing education, these facilities play critical roles in neighborhoods by providing play facilities for children, offering open space, creating a sense of identity, and providing locations for community gatherings and events. The active facilities are located as follows and as illustrated in Map 3.

Owosso High School	765 E. North St.
Owosso Middle School	219 N. Water St.
Central School	600 W. Oliver St.
Washington Campus	645 W. Alger St.
Bryant School	942 Hampton St.
Emerson School	151 E. Oliver St.

Lincoln School, which formerly housed the alternative education, is currently sitting vacant, with this program and the administration offices moving to the Washington school. The current administration building has the potential to be used as a daycare facility, and the future of the Lincoln school remains unclear. This building, which is located immediately west of downtown on the corner of Main Street and Michigan Avenue, may be a good candidate for senior housing.

While all of the building locations function as assets in their respective neighborhoods, there is a recognized potential to reuse the Owosso Middle School and the Lincoln School for senior housing, office, or some other mixed use space.





## **Lincoln House PUD Zoning District Review**

11-26-2012

Legal Description: 050-700-001-008-00

LOTS 8 9 10 & 11 WOODARD SUBDIV BLK 1 A L WILLIAMS ADD

### ***PUD development program:***

The Lincoln House project aims to utilize an existing historical building to fulfill the need of affordable housing for local residents. Through preserving the Lincoln School building, the project will be a visible piece of local history that will be maintained and enjoyed by the community.

The Owosso City Masterplan has a strategic goal of increasing the residential density in the walkable downtown area. The former Lincoln School is ideal for an adaptive reuse for senior housing and the site is an easy walk to many downtown businesses. The WODA Group, LLC plans to develop the existing building per SHPO standards plus add a new addition to the building for a proposed density of 28 units with a 1 and 2 bedroom mix.

### ***Proposed supplemental regulations***

The Lincoln School site, 120 S. Michigan Avenue, is currently zoned RM-2. By changing the site zoning to PUD, a greater density is possible and a slightly more efficient housing configuration is possible. The planned use of the site for primary and any accessory structures shall conform to the use provisions of RM-2. The addition will not extend past the existing building in the front and the sides. The distance from the rear of the site to the building will remain a minimum of 40'. The maximum height of all structures shall be 35', and the lot area per unit will be about 1200 square feet / unit. The new development shall meet or exceed the ordinance parking requirements as described in Section 38-380, which requires one space for each two units. The Lincoln House shall provide one space per unit plus two additional spaces for a total of 30 spaces. The development proposal shall also meet or exceed all other general conditions of the ordinance, including landscaping, lighting, waste enclosure requirements, etc.

The existing Lincoln School is integral part of the neighborhood by principle-- a former public school house that originally served the neighborhood core and by virtue grew out of that very same context. The scale of the historic building is also reflective of the surrounding community. The proposed renovation and expansion will revitalize this neighborhood icon, with renewed purpose to serve the downtown area for decades to come. The historic rehabilitation will be inherently contextual and neighborhood enhancing. The existing structure has two rather grand stories in height, of about 18 feet each, which are raised further by an elevated foundation platform. The proposed addition is three stories with more average heights from floor to floor of about 12 feet.

The historic tax credits that are part of the project financing require discernible design characteristics between the existing structure and the proposed addition. That is, the Michigan State Historic Preservation Office mandates that the design visibly delineate between the historic building and the modern addition. Thus, the stories of the new wing are appropriately scaled to support these required distinctions, and will also create the critical mass needed to make the restoration economically viable.

The existing unique historic architectural style, features, building materials and colors of the Lincoln School will be restored in accordance with SHPO / NPS standards as required to seek the historic tax credit incentives. As for the style, features, building materials and colors for the proposed addition, these attributes will be best characterized as "complimentary yet distinguishable." Again, the expansion is crafted to fit into the neighborhood context, while augmenting yet distinguishing the design from the adjoining historic structure. Overall, the PUD plan proposes expansion to the southwest corner of the existing building, and extending along the south line parallel to Clinton Street. A new curb cut is proposed at the west end to provide site access.

Parking is situated along the west and north areas of the remaining site and connect to the alley. A portion of the proposed addition is elevated to accommodate open surface parking at ground level, as to meet off-street parking requirements. The elevated portion of the building will also allow for a functional and distinguishable aesthetic in meeting aforementioned SHPO / NPS requirements. Obviously, this development offers economic benefits to the immediate neighborhood. Proposing urban-based housing will also have a positive and lasting impact for continued renewal in downtown Owosso, by offering a vitally rich community where people can live, work and play. As far as the overall design expectations among public stakeholders, please know that the development team is bound by NPS Secretary of Interior design standards as required for the historic tax credit incentives. Meeting these standards will help ensure that the expansion and renovation of Lincoln School will have an outcome that is well-received by neighbors and community members alike.

# woda

*Opening New Doors*

*Development  
Construction  
Management*

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229 Huber Village Blvd., Suite 100 • Westerville, OH 43081 • Tel: (614) 396-3200 • Fax: (614) 396-3243

October 31, 2012

Mr. Adam Zettel AICP  
Assistant City Manager  
City of Owosso  
301 W. Main  
Owosso, MI 48867

RE: Zoning Application-Lincoln School

Mr. Zettel,


Attached are the required items necessary to initiate a zoning change for the Lincoln School property on Michigan Avenue. Included are:

- Application for Rezoning
- Authorization by Owner for Rezoning
- Copy of the Purchase Option Agreement
- Check for \$125.00

The site plan is being overnighted to you from our architect Hooker DeJong.

Please let me know if you need anything else

Sincerely,

  
F. Craig Patterson  
Sr. Vice President

APPLICATION FOR REZONING  
CITY OF OWOSSO

301 W. Main Street, Owosso, Michigan 48867, TX 989-725-0540, FX 989-725-8854

**Note to Applicants:**

1. In order that this application may be processed, the applicant must completely fill in the application and make a non-refundable payment of One Hundred Twenty Five Dollars (\$125) to the Treasurer's Office, to cover costs associated with the processing.
2. The applicant or his/her representative must be present at the Planning Commission and City Council public hearings for action to be taken on this request.

**TO THE OWOSSO CITY COUNCIL:**

I, (we), the undersigned, do hereby respectfully make application and petition the City Council to amend the Zoning Ordinance and change the Zoning Map as hereinafter requested,

1. PROPERTY TO BE REZONED: Street Address 120 Michigan Avenue  
Description: (lot, block or metes and bounds) Lots 8,9, 10 & 11 WOODARD SUBDIV BLK 1 AL  
WILLIAMS ADD  
Frontage in Feet 124 Depth in Feet 384
2. PROPERTY OWNERSHIP: (Name, Address, and Phone Number)  
Cwosso Schools Applicant: The Woda Group; 229 Huber Village Blvd. Westerville Oh 614-396-3200
3. ZONING REQUEST: Current Zoning RM-2 Requested Zoning PUD  
Proposed Use of the Property Senior Housing; 28 units

Indicate why, in your opinion, the requested change is consistent with the Ordinance in promoting and protecting the public health, safety, peace, morals, comfort, convenience and general welfare of the inhabitants of the City of Owosso:

The Owosso City Masterplan has a strategic goal of increasing the residential density in the walkable downtown area. The former Lincoln School is ideal for an adaptive reuse for senior housing and the site is an easy walk to many downtown businesses. The Woda Group, LLC plans to develop the existing per SHPO standards plus add a new addition to the building for a proposed density of 28 senior units with 1 and 2 bedroom units.

The above information has been submitted in support of the rezoning and is accurate and truthful to the best of our knowledge.

  
(Signature of Applicant)  
see Attached  
(Signature of Co-Applicant)

229 Huber Village Blvd; Westerville OH, 43081

(Address)

614-396-3200

(Phone)

Legal Representative

Owner

Option to Purchase

**FOR OFFICIAL USE ONLY**

Case # \_\_\_\_\_  
Receipt # \_\_\_\_\_  
Date Filed \_\_\_\_\_  
Description Checked \_\_\_\_\_

Planning Commission Hearing Date \_\_\_\_\_

Action Taken \_\_\_\_\_

City Council Hearing Date \_\_\_\_\_

Action Taken \_\_\_\_\_



**OWOSSO PUBLIC SCHOOLS**

*Ready for the World*

October 29, 2012

Mr. Adam Zettel, AICP  
Assistant City Manager  
Community Development Director  
City of Owosso  
301 W. Main Street  
Owosso, MI 48867

RE: Rezoning of Lincoln School

Mr. Zettel,

As you know, we have entered an Option Agreement with Alpena Holdings, LLC to purchase the Lincoln School. They plan to convert the building into senior housing.

We are in support of their desire to rezone the property from RM-2 to a PUD. According to Alpena Holdings, the rezoning is essential for them to receive development funding.

We understand the PUD zoning will be contingent on the PUD's site plan being fully executed.

If you have any questions, feel free to contact me at 989-723-8131

Sincerely,

Julie A. Omer  
Chief Financial Officer  
Owosso Public Schools

cc: Dr. Andrea Tuttle, Superintendent  
Craig Patterson, Alpena Holdings, LLC

## PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT ("Agreement") is made and entered into this 22 day of October, 2012, by and between Owosso Public Schools whose tax mailing address is 645 Alger Street, Owosso Michigan 48867 (hereinafter referred to as the "Seller"), and Alpena Holdings, LLC, whose address is 124 Northshore Drive, Coldwater, Michigan 49036 (hereinafter referred to as the "Buyer").

WHEREAS, the Seller is the owner of certain real estate consisting of approximately 1.0 +/- acres located at 120 Michigan Avenue, in the City of Owosso, Michigan, 48867 known as Lincoln School and located on a parcel with multiple Tax ID#'s: 050-700-001-008-00 & 050-850-700-001-008, CL 701 SCH1 10 and as depicted on Exhibit A attached hereto (the "Property") and

WHEREAS, the Seller desires to sell the Property and the Buyer desires to purchase the Property, upon and subject to the terms and conditions of this Agreement;

NOW THEREFORE, for and in consideration of the sum of Two Thousand Dollars (2,000.00) (the "Initial Earnest Deposit") the receipt and the sufficiency of which are hereby acknowledged, and for the further consideration of the covenants and agreements set forth below, the parties agree as follows:

1. Seller shall sell and Buyer shall purchase the Property upon and subject to the terms and conditions of this Agreement.
2. The purchase price for the Property shall be Two Hundred Thousand Dollars and no/100 (\$200,000.00) (the "Purchase Price").
3. The Buyer shall pay to the Seller the Initial Earnest Deposit within five business days of the full execution of this Agreement. The Initial Earnest Deposit will become non-refundable on January 18, 2013. In addition, provided that Buyer has not previously terminated this Agreement as provided in paragraph 7, Buyer shall pay to Seller non-refundable subsequent Earnest Deposit in the amount of \$5,000.00 (the "Subsequent Earnest Deposit") on or before July 31, 2013. The initial Earnest Deposit and Subsequent Earnest Deposit are sometimes referred to as "Earnest Deposits".
4. At closing, the Purchase Price shall be paid by the Buyer as follows: (1) Buyer shall pay to Seller \$200,000.00 the gross purchase price less the cumulative earnest money deposits at the time of closing in cash. At closing, the Seller shall deliver a transferable, recordable, General Warranty deed to the Buyer, or its assignee. The General Warranty deed shall be prepared by the Seller. Closing shall occur no later than September 17, 2013 unless extended per paragraph 5 below.
5. Buyer may extend this Purchase Agreement until November 29, 2013 at any time prior to September 17, 2013 by notifying Seller and paying the Seller an additional non-

refundable Earnest Deposit of \$15,000.00 (for a total of \$22,000.00 in Earnest Deposits) and this additional Earnest Deposit shall be credited to the Purchase Price.

6. Title to the Property shall be free and clear of all liens and encumbrances other than those that do not unreasonably interfere with Buyer's intended development of the Property, as determined by Buyer in its sole discretion. Buyer shall obtain a title insurance commitment for the Property and if any exception noted therein is unacceptable to Buyer, Buyer shall so notify Seller in writing and Seller shall then have 20 days to cure such unacceptable exception. If Seller fails to cure such exception within such 20 day period and provide evidence to Buyer of such cure, then Buyer shall have the right to terminate this Agreement by written notice to Seller and the Earnest Deposit shall be returned to Buyer.
7. Buyer's obligation to purchase the property shall be subject to and contingent upon satisfaction to Buyer, at Buyer's sole cost and expense and in Buyer's sole discretion, of the following contingencies prior to the date specified below:
  - a. Buyer determining on or before February 15, 2013 that the Property is properly zoned for and the site conditions will allow for 24 multi-family senior housing units.
  - b. Buyer determining on or before July 31, 2013, that it can obtain all governmental approvals necessary or desirable for the construction of the housing units and all related amenities on the Property.
  - c. Buyer determining on or before February 15, 2013, that (i) the Property has access to water, sanitary sewer, storm sewer, electric, telephone, cable, and natural gas services, adequate to service the units, and (ii) the costs to construct utility infrastructure on the Property, including tap fees, are feasible for said housing units.
  - d. Buyer determining on or before February 15, 2013 that the Property is in compliance with the lender and investor environmental requirements.
  - e. Buyer determining on or before February 15, 2013, that development of Property for Buyer's intended use is economically feasible.
  - f. Buyer obtaining a PILOT (Payment in Lieu of Taxes) letter from City of Owosso prior to February 15, 2013.
  - g. Buyer obtaining a Resolution of Support for the project from the City of Owosso prior to February 15, 2013.
  - h. Buyer obtaining on or before July 15, 2013 a reservation of Section 42 tax credits from the Michigan State Housing Development Authority (MSHDA).
8. It is understood and agreed that during the contract period for the Property the Buyer and its designees shall have the right to enter the Property to conduct environmental tests, soils tests, or any other such investigation as deemed necessary by the Buyer, all at Buyer's sole discretion and expense. The Buyer will indemnify and hold harmless the Seller from any claims, damages or causes of action which might occur as a result of the

Buyer's activities on the Property and the Buyer shall restore the Property to the existing condition before said test or investigations were conducted.

9. Notices under this Agreement may be given by fax, mail, overnight mail, or personal delivery. Any notice that is actually received shall be effective regardless of the manner in which it is sent or delivered.
10. Buyer agrees to a deed restriction which prohibits the future sale of the property to a Charter School.
11. At closing, Buyer shall pay the cost of deed preparation. Seller agrees to provide Buyer a General Warranty Deed with no encumbrances upon the real property described herein. The Buyer shall pay the cost of an owner's title insurance policy in the full amount of the Purchase Price. Buyer shall pay the cost of any mortgage title insurance. At closing, the real estate taxes will not be prorated. The Seller will be responsible to pay all real estate transfer taxes. The Seller and Buyer agree that the closing or the purchase of the property and the title insurance for the transaction will be furnished through a title agency of the Buyer's choice.
12. At closing, Seller shall grant to Buyer any easements needed for utility service to the Property. Buyer shall pay all third party costs of surveying, document preparation, legal description preparation, recording, etc. in connection with the creation and recordation of any such easements that are necessary. Any necessary easements in locations determined by Buyer's engineer, subject to Seller's consent, such consent is not to be unreasonably withheld or delayed.
13. If the Michigan State Housing Development Authority (MSHDA) posts their awards for a reservation of Section 42 tax credits and the Buyer is not successful, then Buyer agrees to terminate this Purchase Agreement without delay.
14. This Agreement shall be assignable by Buyer to an affiliate of Buyer with notice to the Seller. Buyer will provide Seller notification of such Assignment ten (10) business days prior to execution of Assignment document.
15. Both Buyer and Seller acknowledge that there are no Real Estate Brokers involved in this transaction. Both Buyer and Seller agree to hold each other harmless and to defend each other against any such claims for commissions by any Broker other than those listed above.

**Signatures on the Following Page**



[Witness the following signatures]

**Seller:**  
Owosso Public Schools

By: *Annika Smith*      *Clara Pitt*  
Its: *Superintendent*      Witness

**Buyer:**  
Alpena Holdings, LLC

By: *Jim Prof*      *Craig Patterson*  
Its: *Member / General Counsel*      Witness

**Exhibit A**

**Legal: Lots 8, 9, 10 & 11 WOODARD SUBDIV BLK 1 A L WILLIAMS ADD**

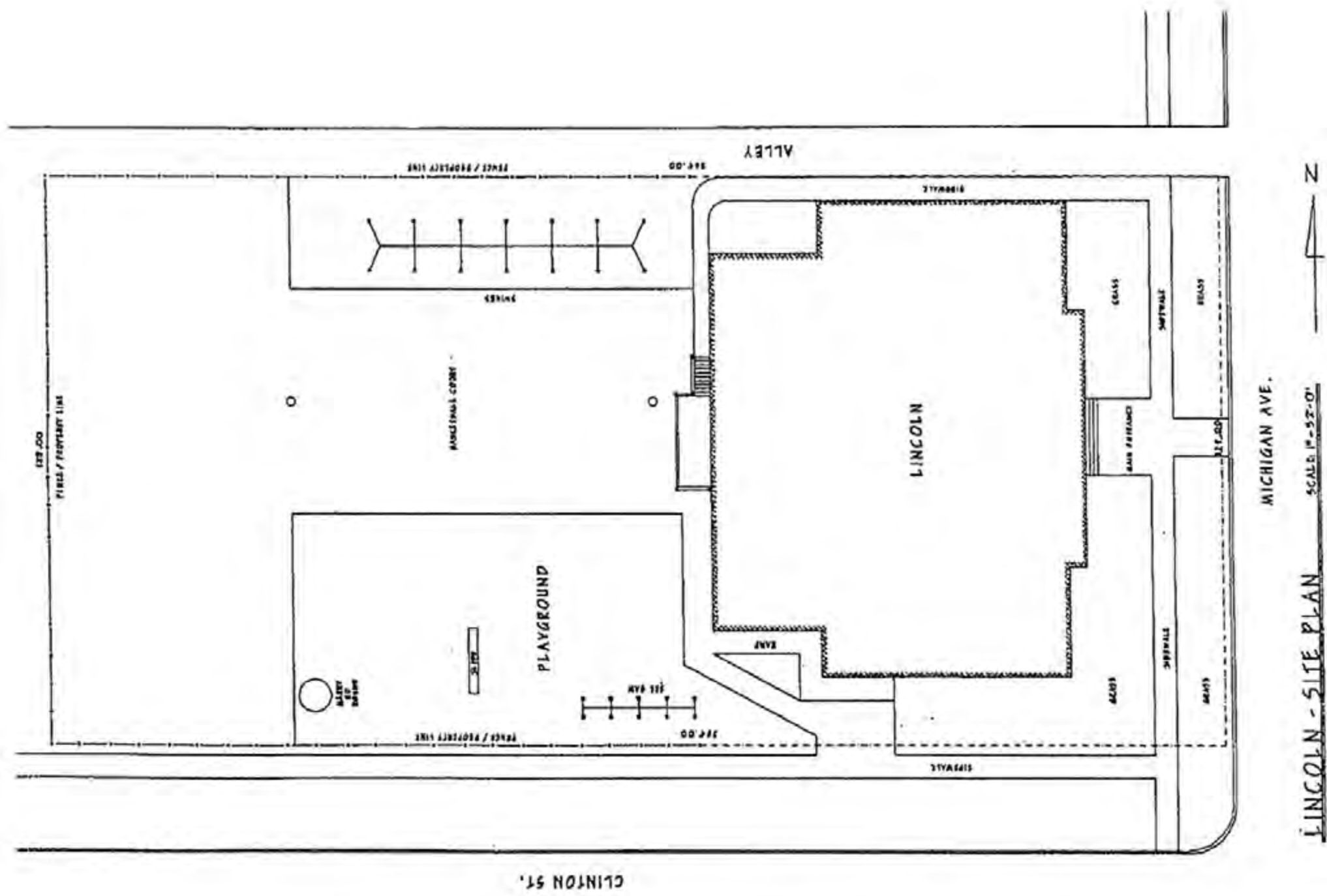


IMAGE OF EXISTING PLOT PLAN



EXISTING AERIAL VIEW - EXISTING BUILDING & SITE LOCATION

**WODA - LINCOLN HOUSE**  
Owosso, Michigan

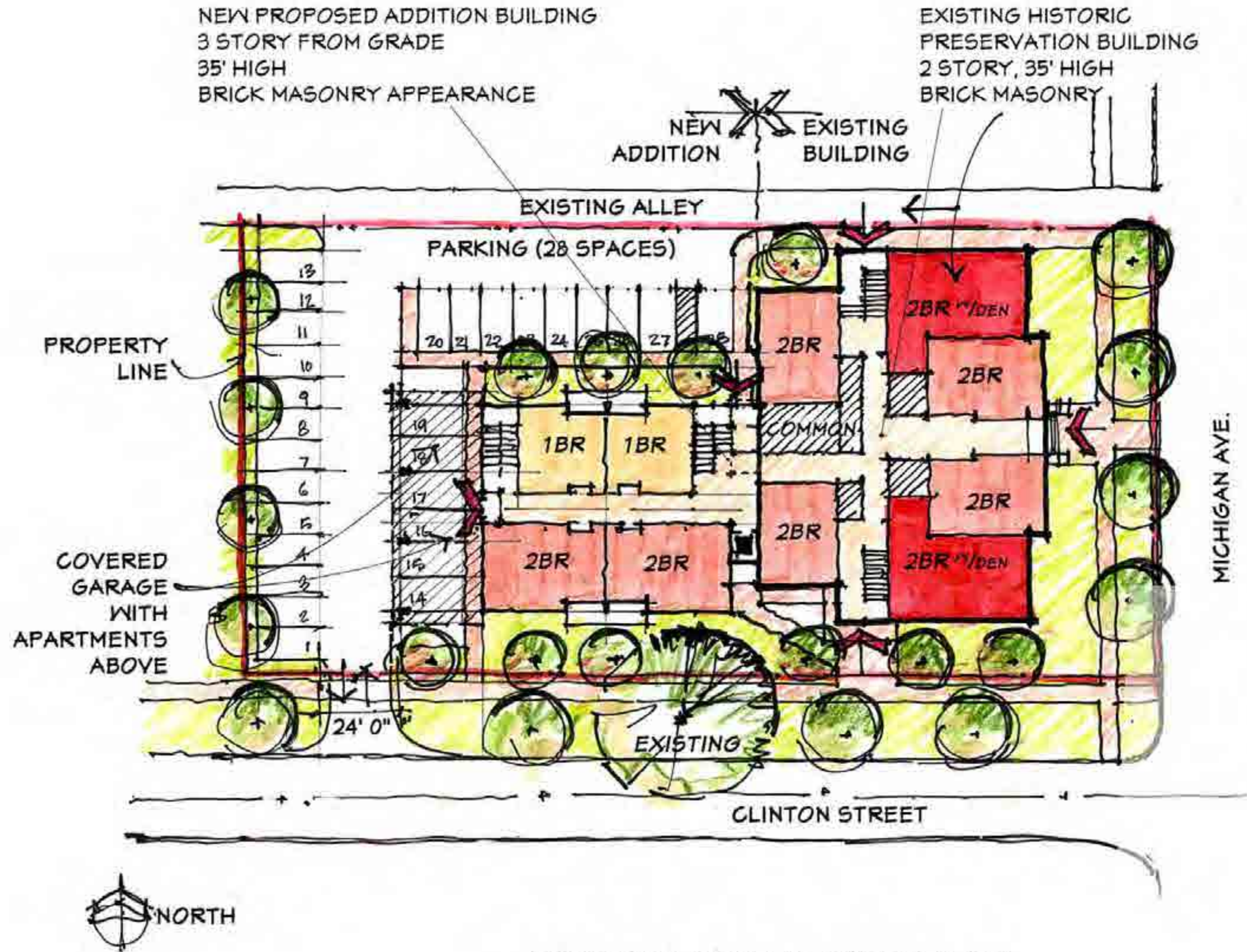
10.24.2012



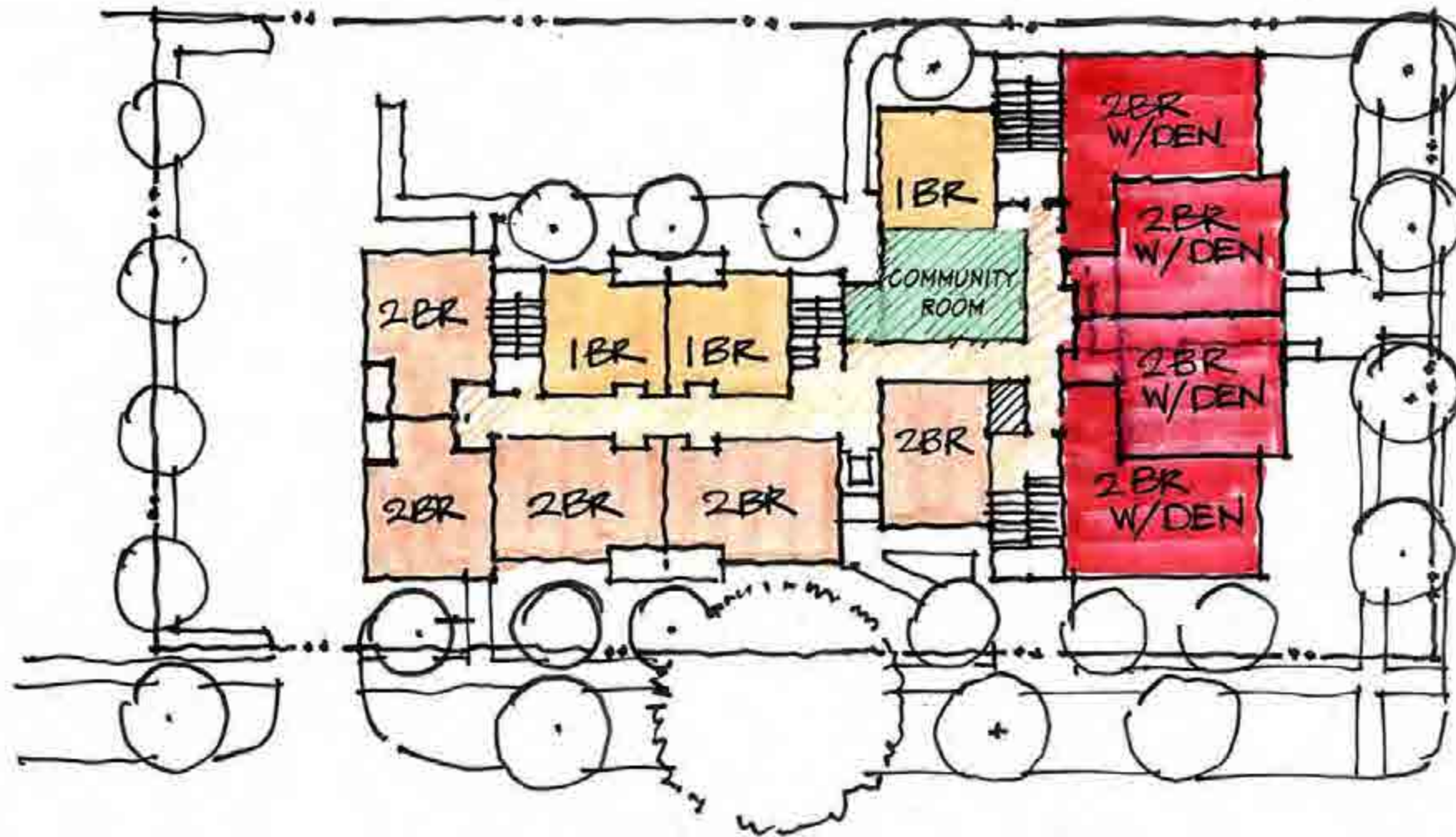
## EXISTING SITE PROPERTY & BUILDING LOCATION

**WODA - LINCOLN HOUSE**  
Owosso, Michigan

10.24.2012



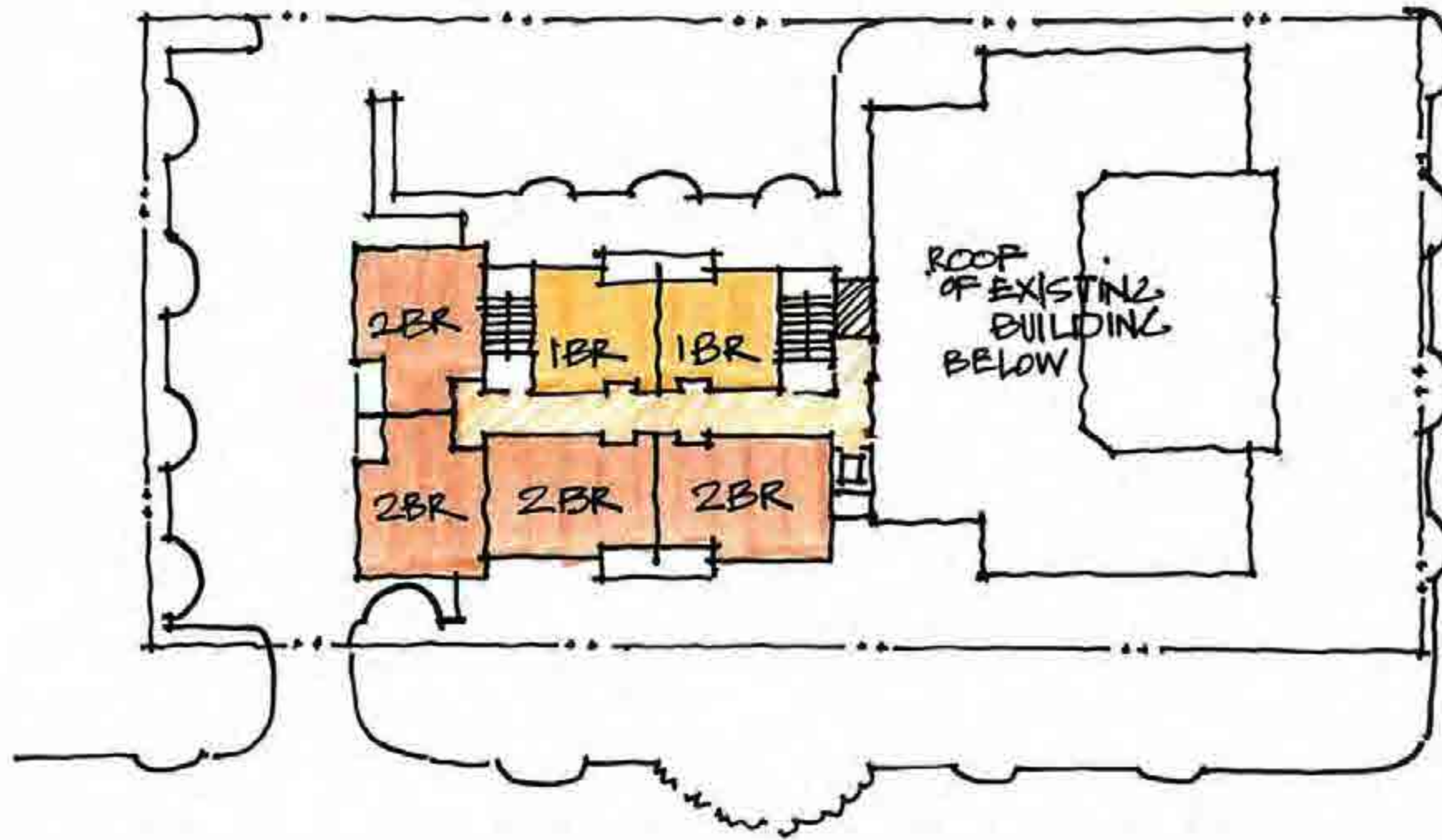
FIRST FLOOR & SITE PLAN



SECOND FLOOR PLAN

**WODA - LINCOLN HOUSE**  
Owosso, Michigan

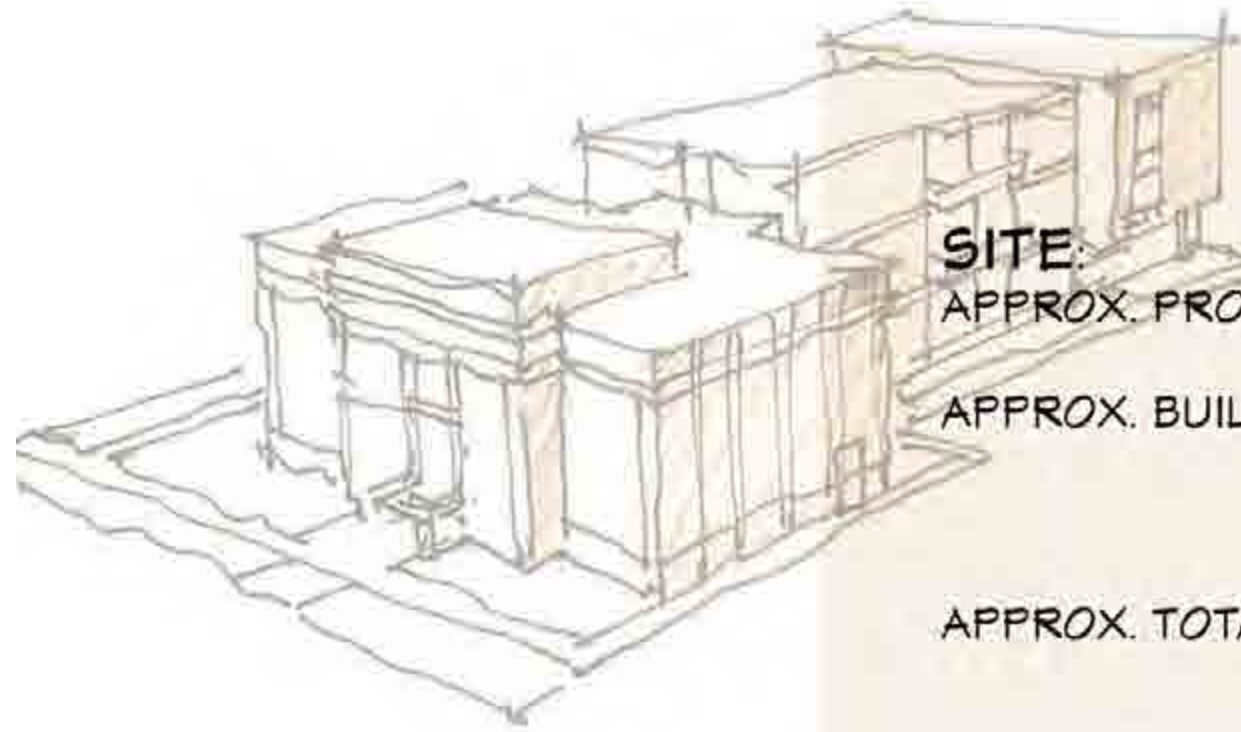
10.24.2012



THIRD FLOOR PLAN



# DEVELOPMENT DATA



<b>SITE:</b>	APPROX. PROPERTY LAND	33,528 SF OR APPROX. 1 ACRE
	<b>APPROX. BUILDING FOOTPRINT</b>	EXISTING: 8,400 SF NEW: 7,068 SF <b>TOTAL: 15,468 SF</b>
	<b>APPROX. TOTAL BUILDING AREA:</b>	EXISTING: 16,800 SF NEW: 19,800 SF <b>TOTAL: 36,600 SF</b>
	<b>TOTAL NUMBER OF PARKING SPACES:</b>	30 SPACES

## BUILDING UNIT TYPES:

	1BR	2BR	2BR W/DEN	TOTAL
<b>1<sup>ST</sup> FLOOR</b>				
NEW	2	2		4
EXISTING		4	2	6
<b>2<sup>ND</sup> FLOOR</b>				
NEW	2	4		6
EXISTING	1	1	4	6
<b>3<sup>RD</sup> FLOOR</b>				
NEW	2	4		6
<b>TOTAL</b>	<b>7</b>	<b>15</b>	<b>6</b>	<b>28 UNITS</b>

**RATIO OF DENSITY WITH SITE AREA:      APPROX. 1,200 SF PER UNIT**



301 W. MAIN • OWOSSO, MICHIGAN 48867-2958 • (989) 725-0599 • FAX (989) 723-8854

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# *MEMORANDUM*

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DATE: December 13, 2012

TO: OWOSSO CITY COUNCIL

FROM: Adam Zettel, AICP

RE: Site Plan Review – 120 Michigan Avenue

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The Lincoln School project is tentatively set to be rezoned to a PUD at the January 7, 2013 meeting. If this occurs, there are still other local reviews and approvals that would be necessary in order for the project to be permitted. In order to expedite this process for review by the state, the site plan review portion of this process is already underway.

While any site plan approvals are contingent upon zoning, it was still felt that the review must start at the planning commission level if the project is to be approved in time for submission to MSHDA in mid-February. As such, a public hearing is scheduled for the planning commission on January 14, 2013. In order for the city council to review the plan in a timely manner, since PUD site plans are to be reviewed at a public hearing of the city council, a meeting date of February 4, 2013 is desired.

To that end, I have drafted a resolution that would set a tentative public hearing for February 4, 2013 contingent upon a completed review by the planning commission. The reason that I am requesting this at the January 7<sup>th</sup> meeting instead of the 21<sup>st</sup> is because of the 15 day notice requirement of our zoning ordinance.

I strongly recommend the city council set a public hearing for February 4, 2013 so that this project is not interrupted on its critical path. Setting this hearing in no way presupposes a favorable outcome for the petitioner's zoning or site plan petitions by any city commissions or the city council. This is simply an action that would streamline the review process if such reviews and recommendations are favorable. Canceling the hearing is possible and would occur if the site plan is not ready for city council review or is otherwise ineligible because the zoning petition fails.

**RESOLUTION NO.**

**A RESOLUTION TO SET A PUBLIC HEARING TO HEAR ALL PERSONS  
INTERESTED IN A SITE PLAN REVIEW FOR THE PLANNED UNIT  
DEVELOPMENT LOCATED AT 120 MICHIGAN AVENUE**

WHEREAS, an owner interest in 120 Michigan Avenue, parcel number 050-700-001-008-00, petitioned to rezone this parcel from Multiple Family Residential (RM-2) to Planned Unit Development (PUD) for the purpose of constructing a building addition and using the site for senior housing; and

WHEREAS, the final result of this petition is expected to be made by the Owosso City Council on January 7, 2013; and

WHEREAS, pending the outcome of this petition, the planning commission is going to review the subsequent site plan for this parcel on January 14, 2013; and

WHEREAS, pending the outcome of this review, the city council is expected to hold a public hearing on the same site plan.

BE IT RESOLVED THAT City of Owosso City Council, County of Shiawassee, State of Michigan, hereby sets a public hearing for February 4, 2013 in the city council chambers within city hall, 301 West Main Street, Owosso, MI 48867 to hear all persons interested in the proposed amendment to the official zoning map of the City of Owosso.

BE IT FURTHER RESOLVED THAT the same council hereby directs staff to supply a public notice concerning the rezoning to a newspaper of general circulation within the city.

BE IT FURTHER RESOLVED THAT the same council hereby directs staff to cancel this public hearing if, by determination of the planning commission or staff, the review of the site plan is ineligible or otherwise unnecessary.



301 W. MAIN • OWOSSO, MICHIGAN 48867-2958 • (989) 725-0599 • FAX (989) 723-8854

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# *MEMORANDUM*

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DATE: December 26, 2012

TO: Mayor Frederick, City Council and City Manager Crawford

FROM: Larry Cook, Assessor

RE: 2013 Poverty Exemption Policy, Guidelines and Thresholds

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As per the provisions of PA 390 of 1994 and further amended by PA 620 of 2002, local governing bodies are required to set income levels for their poverty exemption guidelines and those income levels **shall not** be set lower than the federal poverty guidelines as updated annually by the U.S. Department of Health and Human Services.

The act also requires an asset test to be a part of policy and guidelines. In 2008, the State Tax Commission determined the City of Owosso policy, guidelines and exemption applications addressed by the Board of Review during that year, were found to be adequate. The application was good and the BOR followed those guidelines and maintained appropriate documentation.

The only change in the city's Poverty Exemption Policy for 2013 is a result of recent legislation which changed the requirement that made in mandatory to provide a copy of their State and Federal Income Tax Returns. If the applicant is not required to file said returns, they may file State Tax Commission form 4955, Poverty Exemption Affidavit instead. Attached is Bulletin No. 5 of 2012, which further explains the above mentioned filing requirements and also defines what is considered income for the asset test, due to a recent Court of Appeals ruling.

I would recommend approval of the attached 2013 Poverty Exemption Policy and Guidelines as amended, which includes the 2013 Federal Income Standard Poverty Thresholds, as found in STC Bulletin No.11 of 2012, and an asset test as required pursuant to PA 390 of 1994.

Thank you in advance for your cooperation in this matter and as always, if you have any further questions, please feel free to contact me.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

**BULLETIN NO. 11 of 2012  
CHANGES FOR 2013  
October 30, 2012**

**TO:** Assessors  
Equalization Directors

**FROM:** State Tax Commission (STC)

**RE: PROCEDURAL CHANGES FOR THE 2013 ASSESSMENT YEAR**

The purpose of this Bulletin is to provide information on statutory changes or procedural changes for the 2013 assessment year.

**A. Inflation Rate Used in the 2013 Capped Value Formula.**

The inflation rate, expressed as a multiplier, to be used in the 2013 Capped Value formula is 1.024. The 2013 Capped Value Formula is as follows:

$$\text{2013 CAPPED VALUE} = (\text{2012 TAXABLE VALUE} - \text{LOSSES}) \times 1.024 + \text{ADDITIONS}$$

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.024 is lower than 1.05.

**B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2013.**

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not be set lower** than \$19,090 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$19,090. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2013 assessments.

Size of Family Unit	Poverty Guidelines
1	\$ 11,170
2	\$ 15,130
3	\$ 19,090
4	\$ 23,050
5	\$ 27,010
6	\$ 30,970
7	\$ 34,930
8	\$ 38,890
For each additional person	\$3,960

**Note:** PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. Please see STC Bulletin 5 of 2012 for more information on poverty exemptions.

**Note:** P.A. 135 of 2012 changed the requirements for filing documentation in support of a poverty exemption to allow an affidavit (Treasury Form 4988) to be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year. This does include the owner of the property who is filing for the exemption.

### **C. Multipliers for the Valuation of Free-Standing Communication Towers.**

The State Tax Commission recommends that, subject to the qualifications stated below, communication towers should be valued for the 2013 assessment year using the table of **historical** (original cost when the tower was new) cost valuation multipliers set forth in the multiplier table below. These multipliers have been developed in a manner such that they account for the typical depreciation which is expected for a tower of the indicated age and also account for changes in the cost of the tower and erecting it that have occurred since the time the tower was constructed. On this basis, the multiplier table which is shown below is intended to predict the current true cash value of a tower of the vintage year in which the tower was constructed. An important component in determining the current value of a tower built in a given year is the change in the cost of materials, particularly changes in the cost of steel, between the time of construction and the current Tax Day. Since the table considers both depreciation and changes in construction costs, and since changes in construction cost have not always occurred at a constant rate, the multiplier table does not always evidence a decline in the rate by which the historical cost must be adjusted in order to determine current value. This effect is expected and can be better understood if one remembers that the multiplier table is not a depreciation table and the multipliers are applied to the historic cost of construction, not to the current replacement cost.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

**BULLETIN NO. 5 of 2012  
POVERTY EXEMPTIONS  
May 29, 2012**

**TO:** Assessor and Equalization Directors  
**FROM:** State Tax Commission  
**SUBJECT:** Poverty Exemptions

**Bulletin 7 of 2010 is rescinded. This Bulletin has been updated to reflect changes in what is considered income for the asset test, due to the Court of Appeals determination in Ferrero v Township of Walton. These changes are described in Section C below. Also included are changes in the requirement of federal and state income tax returns due to the passage of Public Act 135 of 2012.**

The purpose of this bulletin is to provide additional guidance to assessors and Equalization Directors to provide to Boards of Review regarding poverty exemptions, MCL 211.7u.

If a person's financial situation prevents them from being able to pay the property taxes on his/her home is there a way to reduce the amount of property taxes the taxpayer must contribute?

MCL 211.7u of the General Property Tax Act, MCL 211.1, et. seq., allows a property tax exemption for the principal residence of persons who, in the judgment of the supervisor and board of review, by reason of poverty, are unable to contribute to the public charges.

To be eligible for the poverty exemption, a person must own and occupy the principal residence for which the exemption is requested, file a claim (each year the exemption is sought) with the supervisor or board of review on the city/township's form, along with federal and state income tax returns for all persons residing in the principal residence or file an affidavit for all persons residing in the residence who were not required to file federal or state income tax returns for the current or preceding tax year, show proof of ownership, and meet federal poverty income standards annually determined by the U.S. Office Department of Health and Human Services or standards adopted by the local assessing unit's governing body (if the local assessing unit's standards are less strict than the federal guidelines). *See Section D: Filing for the Poverty Exemption below.*

## A. Poverty Exemption Guidelines Options

MCL 211.7u was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002 and PA 104 of 2003.

Pursuant to MCL 211.7u(2)(e), local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 4 persons **shall not** be set lower than \$22,100, shown in the chart in Section B below. The income level for a family of 4 persons, however, may be set higher than \$22,400 by the local assessing unit.

In order to determine a taxpayer's eligibility for poverty exemption guidelines, PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes for the year the property exemption claim was filed. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. The determination of the amount of the asset level test is left to the discretion of the local assessing unit.

## B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2012.

The following are the federal poverty guidelines for use in setting poverty exemption guidelines for the 2012 assessments.

Size of Family Unit	Poverty Guidelines
1	\$ 10,900
2	\$ 14,700
3	\$ 18,500
4	\$ 22,400
5	\$ 26,200
6	\$ 30,000
7	\$ 33,800
8	\$ 37,600
For each additional person	\$3,800

The income guidelines shall include, but are not limited to, the specific income for the person claiming the exemption, and should also include anyone else who is living at the claimant's household. According to the U.S. Census Bureau, "income" includes:

- Money, wages, and salaries before any deductions.
- Net receipts from non-farm self-employment. (These are receipts from a person's own business, professional enterprise, or partnership, after deductions for business expenses.)



- Net receipts from farm self-employment. (the same provisions as above for self-employment.)
- Regular payments from social security, railroad retirement, unemployment, worker's compensation, veteran's payments and public assistance.
- Alimony, child support, and military family allotments.
- Private pensions, governmental pensions, and regular insurance or annuity payments.
- College or university scholarships, grants, fellowships, and assistantships.
- Dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts, and net gambling or lottery winnings.

For example, it is possible that a claimant might meet the income test for the poverty exemption for all the persons living at the claimant's household but the claimant does not meet the asset level test of the entire household or some additional test adopted by the local governing body. In this situation the claimant would **not qualify** for the poverty exemption even though the income level for the entire household test was met.

### **C. Asset Tests for the Poverty Exemption**

The local governing body must adopt poverty exemption income guidelines and an asset level test. The asset test may include a variety of assets that the board believes should be considered in determining the applicant's eligibility. The asset test, however, does not include the principal residence.

According to the Michigan Tax Tribunal in *Robert Taylor v Sherman Twp.* (MTT Small Claims Division, Docket No. 236230, August 13, 1997), the Tax Tribunal views the 'asset test' to be an indication of funds available which might be used to pay one's taxes. In *Taylor*, Tax Tribunal held, "If the equity of the homestead is included, it would require the Petitioner to sell his homestead or borrow against the equity to pay the taxes. The Tribunal finds that the inclusion of the value of the equity is inconsistent with the basic intent of the granting of poverty exemptions, that being to enable the petitioning party to maintain their homestead."

The Michigan Court of Appeals ruled in *Ferrero v Township of Walton* (302221) that monies received pursuant to MCL 206.520 (homestead property tax credit) is a rebate of property taxes and is not income for purposes of MCL 211.7u.

The local governing body should set a maximum asset amount that would likely result in receiving a 0% poverty exemption. This could be either a dollar amount or a percentage of total income.

For example, a governing body could decide that claimants with a total asset value of \$15,000 or more will receive a 0% poverty exemption, even though they meet the federal poverty income guidelines. Or, another township could decide that its maximum value of

assets eligible for the exemption is \$150,000.

Based upon the assets listed on a poverty exemption application, the Board of Review may grant the application a 0% to 100% exemption. This does not preclude the local governing body with from allowing an applicant to own other things, in addition to the house and still receive a poverty exemption. Possible examples include:

- Additional vehicles
- More land than a minimum “footprint” for the home
- Equipment or other personal property of value, including recreational vehicles (campers, motor homes, boats, ATV’s etc.)
- Bank account(s) up to a specified amount

A local governing unit, however, may require an applicant to list all of his/her assets to apply for a poverty exemption. Below are some examples of assets the local governing may choose to ask an applicant to list. (This is not an exhaustive list).

- A second home
- Land
- Vehicles
- Recreational vehicles such as campers, motor-homes, boats and ATV’s
- Buildings other than the residence
- Jewelry
- Antiques
- Artworks
- Equipment
- Other personal property of value
- Bank accounts over a specified amount
- Stocks
- Money received from the sale of property such as stocks, bonds, a house or a car unless a person is in the specific business of selling such property.
- Withdrawals of bank deposits and borrowed money.
- Gifts, loans, lump-sum inheritances, and one-time insurance payments.
- Food or housing received in lieu of wages and the value of food and fuel produced and consumed on farms.
- Federal non-cash benefits programs such a Medicare, Medicaid, food stamps, and school lunches.

Pursuant to PA 390 of 1994, all local governing units **shall** make available the local policy and guidelines established for granting poverty exemptions to a requesting taxpayer.

The local governing unit is required by MCL 211.7u(5) to follow the established policy and guidelines of the local assessing unit in granting or denying a poverty exemption. MCL 211.7u(5), permits the Board of Review to deviate from this mandate only when

there are “substantial and compelling reasons why there should be a deviation from the policy and guidelines.” If the Board of Review deviates from the policy and guidelines, they are **required** by statute to communicate the substantial and compelling reasons for the deviation from the guidelines *in writing* to the claimant.

For example, a wife suffers a catastrophic illness, and the husband is forced to reduce his work hours to care for her. Their medical bills exceed their insurance coverage and they have used their savings, credit and income to pay those bills, leaving no funds to pay the taxes. Even if their assets exceed the township’s maximum asset amount, a board of review might consider these substantial and compelling reasons to deviate from the guidelines.

#### **D. Filing Requirements for the Poverty Exemption**

In order to be eligible for the poverty exemption, the claimant must do all of the following on an annual basis.

- 1) Own and occupy as a principal residence for which the exemption is requested.
- 2) File a claim with the supervisor or the local board of review after January 1<sup>st</sup> but before the day prior to the last day of the Board of Review on a form provided by the local assessing unit. (Note: the filing of this claim constitutes an appearance before the March Board of Review for the purpose of preserving the right to appeal to the Michigan Tax Tribunal).
- 3) Provide federal and state income tax returns for all persons residing in the principal residence including any property tax credit returns. These income tax returns shall include those filed in the current year or in the immediately preceding year. An affidavit may be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year.
- 4) Produce a valid driver’s license or other form of identification if requested by the supervisor or board of review.
- 5) Produce a deed, land contract, or other evidence of ownership of the property for which an exemption is being requested if requested by the supervisor or the board of review.
- 6) Meet the federal poverty income standards as defined and determined annually by the United States Department of Health and Human Services OR meet the alternative income standards adopted by the local governing body. **Important: alternative guidelines shall not require less income to qualify for the poverty exemption than the federal guidelines require.**
- 7) Meet the asset levels set by the local governing body.
- 8) Meet any other tests that may be set by the local governing body.

### **E. Poverty Exemption for Principal Residence and Qualified Agricultural Property**

According to PA 104 of 2003, Eff. January 1, 2004, the poverty exemption only applies to an individual homeowner for his/her "principal residence." As used in MCL 211.7u, "principal residence" means a principal residence or a qualified agricultural property as defined by MCL 211.7dd.

No property owned by a corporation may receive the poverty exemption. This means that even if a corporation meets the definition of a principal residence or of qualified agricultural property a corporation shall not be eligible to receive the poverty exemption.

### **F. Requesting a Poverty Exemption and Appealing Assessment**

PA 390 of 1994 allows a claimant requesting a poverty exemption to also appeal his/her assessment before the March Board of Review in the same year.

### **G. Appealing BOR decisions regarding the Poverty Exemption to the MTT**

A property owner or an assessor may appeal the March Board of Review's decision granting or denying a poverty exemption to the Michigan Tax Tribunal. Appeals to the MTT must be made by July 31 of the same year.

### **H. Partial Poverty Exemption for Principal Residences and Qualified Agricultural Property**

PA 390 of 1994 allows for partial poverty exemptions. A partial poverty exemption is an exemption of only a part of the taxable value of the property rather than the entire taxable value. The local governing body could limit its poverty exemptions to partial exemptions or to minimum or maximum exemptions of their choosing.

### **I. Comments by the State Tax Commission**

The State Tax Commission is concerned regarding the apparent trend toward the abuse of the poverty exemption. The rules and guidelines that PA 390 of 1994 will enable local units to more fairly and consistently exempt qualifying property owners, and will provide better audit tools to local units and the State Tax Commission to prevent abuse of the exemption. Assessors, Boards of Review and Supervisors should all be aware that the 1963 Michigan Constitution still provides a narrow construction of what is, and what is not exempt. Only those poverty exemptions where the claimant meets the requirements of the Act should be granted.

## Poverty Exemption Affidavit

This form is issued under authority of Public Act 206 of 1993; MCL 211.7u.

**INSTRUCTIONS:** When completed, this document must accompany a taxpayer's Application for Poverty Exemption filed with the supervisor or the board of review of the local unit where the property is located. MCL 211.7u provides for a whole or partial property tax exemption on the principal residence of an owner of the property by reason of poverty and the inability to contribute toward the public charges. MCL 211.7u(2)(b) requires proof of eligibility for the exemption be provided to the board of review by supplying copies of federal and state income tax returns for all persons residing in the principal residence, including property tax credit returns, or by filing an affidavit for all persons residing in the residence who were not required to file federal or state income tax returns for the current or preceding tax year.

I, \_\_\_\_\_, swear and affirm by my signature below that I reside in the principal residence that is the subject of this Application for Poverty Exemption and that for the current tax year and the preceding tax year, I was not required to file a federal or state income tax return.

Address of Principal Residence: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Person Making Affidavit

\_\_\_\_\_  
Date

# CITY OF OWOSSO

## PROPERTY TAX POVERTY EXEMPTION POLICY & GUIDELINES

### POLICY

The City of Owosso will grant partial exemptions due to poverty according to Section 211.7u of the Michigan Compiled Laws. ***Property Tax Poverty exemptions must be applied for each year.***

The Assessor and the Board of Review will apply the guidelines as adopted by the City uniformly to all applicants without prejudice and shall not deviate from the adopted guidelines without substantial and compelling reasons. Any such deviation shall be communicated in writing to the applicant. (211.7u).

The Assessor's office will determine the estimated property tax liability for the applicable tax year and the estimated State homestead credit for each applicant. The exemption shall not exceed the tax liability minus the estimated homestead credit refund received during the current tax year. (Example: if the tax liability is \$1000 and the homestead credit received in the current tax year is \$300, the exemption shall not exceed \$700.)

**The Board of Review may** deviate from the above policy where there are substantial and compelling reasons and such substantial and compelling reasons are communicated in writing to the City Council and the claimant (211.7u).

### GUIDELINES

#### **The applicant shall:**

- Be the owner and occupant of the homestead property for which an exemption is applied (211.7u).

- File a claim (application) on the form provided by the City Assessor's office. The filing of a claim constitutes an appearance before the Board of Review for the purpose of preserving the claimant's right to appeal (211.7u). **The application form shall be fully completed.**

- Sign the application at the Assessor's office when the application is returned. If the applicant cannot personally return the application, a notarized application is acceptable.

- Supply a copy of federal and state income tax returns for **all** persons residing in the homestead, including any property tax credit returns, filed in the immediately preceding or in the current year (211.7u) and/or, affidavit, (Treasury Form 4988), **must** be filed by **all** persons residing in the residence that are not required to file a federal and/or state income tax return.

- Supply a copy of proof of income for the most recent one-month period for **all** household members (current pay stubs, benefit statement, etc.)

- Supply identification, proof of residency and ownership if requested by the Assessor or Board of Review (211.7u).

**If the applicant fails to supply all the required documents or if it is found that the information supplied is fraudulent, the application shall be denied.**

### **Income Test**

Applicant's annual household income shall not exceed the federal poverty income thresholds as defined and determined annually by the U.S. Department of Commerce.  
(See attached defined income)

#### 2013 Federal Income Standards Poverty Threshold

Number of persons residing in homestead	Annual allowable income
1 person	11,170.
2 persons	15,130.
3 persons	19,090.
4 persons	23,050.
5 persons	27,010.
6 persons	30,970.
7 persons	34,930.
8 persons	38,890.
Each additional person, add	3,960.

Income of students under the age of 18 years, **shall not** be included as income

### **Asset Test**

The value of property in **excess** of what is considered part of the original homesteads minimum zoning required footprint for that home shall be considered an asset.

According to the MTT Small Claims Division Docket 236230, 8/13/1997, the MTT views the asset test to be: ***an indication of funds available which may be used to pay one's taxes....and not the inclusion of equity in one's home.***

Assets include, but are not limited to: real estate other than principal residence minimum footprint, motor vehicles, recreational vehicles and equipment, certificates of deposits, savings accounts, checking accounts, stocks, bonds, life insurance, retirement funds, etc. For purposes of this paragraph, the Board of Review shall consider the value of the assets and shall not reduce such value by any indebtedness owed on such assets, or indebtedness otherwise owed by the applicant(s).

Assets, (except the original homestead and minimum zoning required footprint, essential household goods and the first \$5,000 of the market value of a motor vehicle), shall not exceed \$4,000 (four thousand) dollars for individual applicant and/or \$6,000 (six thousand) dollars per household if more than one financial contributor.

The Bureau of the Census defines income to include the following:

1. Money wages and salaries before any deductions.
2. Net receipts from non-farm self-employment. These are receipts from a person's own business, professional enterprise, or partnership, after deductions for business expenses.
3. Net receipts from farm self-employment. These are receipts from a farm which one operates as an owner, renter, or sharecropper, after deductions for farm operating expenses.
4. Regular payments from social security, railroad retirement, unemployment compensation, strike benefits from union funds, workers' compensation, veterans' payments, public assistance (including Aid to Families with Dependent Children, Supplemental Security Income, Emergency Assistance money payments, and non-Federally-funded General Assistance or General Relief money payments).
5. Alimony, child support, and military family allotments or other regular support from an absent family member or someone not living in the household.
6. Private pensions, government employee pensions (including military retirement pay), and regular insurance or annuity payments.
7. College or university scholarships, grants, fellowships, and assistantships.
8. Dividends, interest, net rental income, net royalties, periodic receipts from estates or trusts, and net gambling or lottery winnings.

Income does not include the following:

1. Money received from the sale of property such as stocks, bonds, a house, or a car unless a person is in the business of selling such property.
2. Withdrawals of bank deposits and borrowed money.
3. Tax refunds, gifts, loans, lump-sum inheritances, one-time insurance payments.
4. Food or housing received in lieu of wages and the value of food and fuel produced and consumed on farms.
5. Federal non-cash benefit programs such as Medicare, Medicaid, food stamps, school lunches.



**CITY OF OWOSSO**  
**Property Tax**  
**POVERTY EXEMPTION APPLICATION**

I, \_\_\_\_\_, being the owner and resident of the property listed below, desire to apply for Tax Relief under Section 7u of the Michigan General Property Tax Act: (The Homestead property of persons who, in the judgement of the Assessor and Board of Review, by reason of poverty, are unable to contribute toward the public charges, are exempt from taxation under this act).

**IF JOINT APPLICATION, YOU MUST PROVIDE THE FOLLOWING INFORMATION FOR BOTH PARTIES:**

**PROPERTY & APPLICANT INFORMATION**

Parcel Number: 050-\_\_\_\_\_

Address: \_\_\_\_\_ Phone No: \_\_\_\_\_

Marital Status (Check One):      Married               Single               Separated   
    Divorced               Widow               Widower

Age of Applicant: \_\_\_\_\_

Is this property your homestead (primary residence)? \_\_\_\_\_

How long have you lived at this address? \_\_\_\_\_

**DO YOU OWN, OR ARE YOU BUYING, ANY OTHER PROPERTY? YES\_ NO\_  
 IF YES, LIST.**

Property Address	Assessed Value	Joint Ownership?
_____	_____	_____
_____	_____	_____

**BANK ACCOUNTS & SAVINGS (List All Accounts Separately)**

Name of Bank, Savings & Loan or Credit Union	Amount On Deposit Now	In Whose Name Is The Account?
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## OTHER ASSETS

### Motor Vehicles (Including Motorcycles, Motor Homes, etc):

Make \_\_\_\_\_ Year \_\_\_\_\_ Value \_\_\_\_\_  
Make \_\_\_\_\_ Year \_\_\_\_\_ Value \_\_\_\_\_  
Make \_\_\_\_\_ Year \_\_\_\_\_ Value \_\_\_\_\_

### Other (Boats, Travel Trailers, ATV's, Snowmobiles, Antiques, Etc.):

Type \_\_\_\_\_ Value \_\_\_\_\_ Type \_\_\_\_\_ Value \_\_\_\_\_  
Type \_\_\_\_\_ Value \_\_\_\_\_ Type \_\_\_\_\_ Value \_\_\_\_\_

### Savings Bonds (List each separately):

Bond \_\_\_\_\_ Current Value \_\_\_\_\_  
Bond \_\_\_\_\_ Current Value \_\_\_\_\_

### Stocks, Bonds, Mutual Funds, Mortgages, Land Contracts Held, Etc. (List each separately):

Current Value \_\_\_\_\_ Dividends & Interest Received in Previous Year \_\_\_\_\_  
Current Value \_\_\_\_\_ Dividends & Interest Received in Previous Year \_\_\_\_\_  
Current Value \_\_\_\_\_ Dividends & Interest Received in Previous Year \_\_\_\_\_

### Life Insurance Policies:

Person(s) Insured \_\_\_\_\_ Current Cash Value \_\_\_\_\_  
Person(s) Insured \_\_\_\_\_ Current Cash Value \_\_\_\_\_

## HOUSEHOLD INFORMATION

List All Persons Living at Your Address (or college students) and How They Contribute to Your Income and/or Bills:

Name	Age	Relationship	Monthly Financial Contribution
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

## INCOME INFORMATION

You **must** list **all** sources of income including salaries, social security, rents, interest income, pension, unemployment, workman's comp, child support, alimony, claims & lawsuits, income tax refunds, military benefits and any other income whether taxed or untaxed.

Source	Amount	Per (week, month, year, etc.)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Total Per Year	_____
	<b>OR</b> Total Per Month	_____

## OTHER INFORMATION

Is anyone not living with you (friend, relative, etc.) contributing to the household income or helping to pay your expenses? If yes, explain:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Do you expect any Federal or State Income Tax refunds for the current year? \_\_\_\_\_  
If yes, what is the amount of the refund? \_\_\_\_\_

Did you apply for the Homestead Property Tax Credit for the current year? \_\_\_\_\_  
If yes, what is the amount of the credit? \_\_\_\_\_

Did you apply for the Homestead Property Tax Credit for the previous year? \_\_\_\_\_  
If yes, what was the amount of the credit? \_\_\_\_\_

Do you plan or anticipate any changes in your living arrangements or financial situation in any way this year? If yes, explain:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Please add any other information that you feel is important to this application.

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**Application Required Documents Checklist:**

- \_\_\_ Federal Income Tax Return (previous year)
- \_\_\_ State Income Tax Return (previous year)
- \_\_\_ Property Tax Credit Return (previous year)
- \_\_\_ Proof of Income (most recent one month period – pay stubs, benefit statements, etc.)
- \_\_\_ Proof of Identity (drivers license, pictured identification, etc.)
- \_\_\_ Proof of ownership (deed, contract, etc.)

I certify that the above information is true and correct to the best of my knowledge and that if it is found that the information I supplied is fraudulent or misrepresented in any way, my application **will be denied.**

Signature \_\_\_\_\_ Date \_\_\_\_\_

***IF YOU HAVE ANY QUESTIONS OR NEED HELP FILLING OUT THIS APPLICATION, PLEASE FEEL FREE TO CALL THE ASSESSING OFFICE MONDAY-FRIDAY 9:00 AM TO 5:00 PM AT 725-0530.***



301 W. MAIN OWOSSO, MICHIGAN 48867-2958 · (989) 725-0599 · FAX 723-8854

---

# *MEMORANDUM*

---

DATE: January 7, 2012

TO: Owosso City Council

FROM: Mark A. Sedlak, Director of Public Works

RE: Request for Change Order #1-Final for the 2012 Street Improvement Program

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Michigan Paving & Materials Company has completed the work for the 2012 Street Improvement Program. This change order includes additional sewer repair on Grand; additional curb work done on Chipman due to water main repairs; additional crushed concrete used to stabilize the base on Hickory, Grace, Grand and State; additional pavement used on Oliver and Gould; and additional joint repair on Oliver Street.

We recommend Council approve Change Order No. 1-Final to Michigan Paving & Materials Company in the amount of \$59,510.34 for the 2012 Street Improvement Program. This project is funded through the proceeds of the 2010 General Obligation Unlimited Tax Bonds.

**RESOLUTION NO. \_\_\_\_**

**AUTHORIZING A CHANGE ORDER #1-FINAL  
TO THE CONTRACT WITH  
MICHIGAN PAVING & MATERIALS COMPANY  
FOR THE 2012 STREET PAVING PROGRAM**

WHEREAS, the city of Owosso, Shiawassee County, Michigan, approved a contract with Michigan Paving & Materials Company on August 20, 2012 for the 2012 Street Paving Program; and

WHEREAS, additional materials were required in the reconstruction of several city streets necessitating a change order.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Owosso, Shiawassee County, Michigan that:

FIRST: The City of Owosso amends the contract with Michigan Paving & Materials Company to add additional work to their contract.

SECOND: The mayor and city clerk are instructed and authorized to sign the document substantially in form attached as Exhibit A, Amendment to the Contract for services between the City of Owosso and Michigan Paving & Materials Company increasing the total amount by \$59,510.34.

THIRD: The above expenses shall be paid from the proceeds of the 2010 General Obligation Unlimited Tax Bonds.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF OWOSSO,  
SHIAWASSEE COUNTY, MICHIGAN THIS 7<sup>th</sup> DAY OF JANUARY, 2013.

\_\_\_\_\_  
Benjamin R. Frederick, Mayor

\_\_\_\_\_  
Amy K. Kirkland, City Clerk

**CITY OF OWOSSO  
CONTRACT CHANGE ORDER NO. 1- FINAL**

**TO: MICHIGAN PAVING & MATERIALS COMPANY**

**Date: 1/3/2013**

**CONTRACT: 2012 STREET IMPROVEMENT PROGRAM**

**PROJECT NO.:**

You are hereby requested to comply with the following changes from the contract plans and specifications:

1 Item No.	2 Description of Changes - Quantities, Units, Unit Prices, Change in Completion Schedule, Etc.	3 Decrease Contract Price	4 Increase Contract Price
	<b>#1 Curb &amp; Gutter and Sidewalk Work</b>		
1	(-45 CYD LM of Earth Excavation @ \$13.00/CYD LM)	(\$585.00)	
2	(-300.19 SYD of Gravel Drive Removal @ \$2.900/SYD)	(\$870.55)	
3	(-428.79 SFT of Hard Surface Removal @ \$0.85/SFT)	(\$364.47)	
4	(+367.40 LFT Curb & Gutter Removal @ \$3.75/ LFT)		\$1,287.75
5	(-339.37 of TON Class III Fill Sand @ \$13.00/TON)	(\$5,191.81)	
6	(+274.80 of LFT Curb & Gutter, Removal & Replacement @ \$8.48/ LFT)		\$2,330.30
7	(+47 LFT of Misc. Curb & Gutter, Conc.t 4 Mod. @ \$20.95/LFT)		\$984.65
8	(-224.28 SFT of 4" Concrete Replacement @ \$2.65/SFT)	(\$594.34)	
9	(-241.69 SFT of 4" Concrete Sidewalk Ramp @ \$7.65/SFT)	(\$1,848.93)	
10	(-207.83 SFT of 6" Concrete @ \$ 2.95/SFT)	(\$613.10)	
11	(-40 EACH of Catch Basin Filter @ \$100.00/EACH)	(\$4,000.00)	
12	No Change		
13	(-5 EACH of Water Valve Adjustment @ \$120.00/ EACH)	(\$600.00)	
14	No Change		
15	(-2 EACH of Temporary Lowing of Drainage Casting @ \$400.00/EACH)	(\$800.00)	
16	(+1.3 VFT of Catch Basin Reconstruction @ \$200.00/ VFT)		\$260.00
17	(+1 EACH of 4' Dia. Drainage Structure w/ Casting @ \$3200.00/EACH)		\$3,200.00
18	(+3 EACH of Sewer Tap @ \$400.00/EACH)		\$1,200.00
19	(+59 LFT of 10" Sch. 26 Sewer Pipe TD. DT. B@ \$29.00/LFT)		\$1,711.00
20	(-60.5 LFT of 12" RCP w/"O" Ring Joint TR. DT. B @ \$31.00/LFT)	(\$1,875.50)	
21	No Change		
22	(-1902.42 SYD of Restoration @ \$2.75/SYD)	(\$5,231.66)	
23	(-4858.4 LFT of Gravel Trench Infill @ \$1.50/LFT)	(\$7,287.60)	
24	No Change		
	<b>#2 Milling &amp; Paving Work</b>		
1	(-947.06 SYD of Butt Joint Milling @ \$5.27/ SYD)	(\$4,991.01)	
2	(+8499.97 SYD of Cold Milling @ \$2.35/SYD)		\$19,974.93
3	(+3.10 STA of Fine Grading @ \$275.00/STA)		\$852.50
4	(-11 EACH of Manhole Adjustment @ \$200.00/ EACH)	(\$2,200.00)	
5	(-10 EACH @ of Water Valve Adjustment \$120.00/ EACH)	(\$1,200.00)	
6	No Change		
7	(+1023.04 TON of Residential Street Paving @ \$72.82/TON)		\$74,497.77
8	(-250 TON of Bituminous Wedging @ \$67.76/TON)	(\$16,940.00)	
9	(+17 TON of Gould & Oliver Intersection Paving @ \$121.56/TON)		\$2,066.52
10	(+3 TON of Parking Lot Paving@ \$109.38/TON)		\$328.14
11	(-810 GAL of Bond Coat @ \$2.25/GAL)	(\$1,822.50)	
12	(-5 EACH of Monument Adjustment @ \$200.00/EACH)	(\$500.00)	
13	No Change		
14	(-4 VFT of Drainage Structure Reconstruction @ \$200.00/VFT)	(\$800.00)	
15	No Change		

Continued on page 3

**CITY OF OWOSSO  
CONTRACT CHANGE ORDER NO. 1- FINAL**

**TO: MICHIGAN PAVING & MATERIALS COMPANY**

**Date:** 1/3/2013

**CONTRACT: 2012 STREET IMPROVEMENT PROGRAM**

**PROJECT NO.:** \_\_\_\_\_

You are hereby requested to comply with the following changes from the contract plans and specifications:

1 Item No.	2 Description of Changes - Quantities, Units, Unit Prices, Change in Completion Schedule, Etc.	3 Decrease Contract Price	4 Increase Contract Price
	EXTRA WORK (Sewer Repair on Grand @ \$1000.00) (+185.22 TON @ \$24.00/TON) (Truck & Milling Joint Repair on Oliver @ \$3000.00/L Sum) (+14.06 Ton of Bituminous Mix Cost @ \$48.93/ Ton)		\$1,000.00 \$4,445.28 \$3,000.00 \$687.96



**CITY OF OWOSSO  
CONTRACT CHANGE ORDER NO. 1-FINAL**

**TO: MICHIGAN PAVING & MATERIALS COMPANY**

**Date:** 1/3/2013

**CONTRACT: 2012 STREET IMPROVEMENT PROGRAM**

**PROJECT NO.:** \_\_\_\_\_

You are hereby requested to comply with the following changes from the contract plans and specifications:

1 Item No.	2 Description - Quantities, Units, Unit Prices, Completion Schedule, Etc.	3 Decrease Contract Price	4 Increase Contract Price
	Change in contract price due to this Change Order		
	Total Decrease	(\$58,316.46)	XXXXXXXXXXXXXX
	Total Increase	XXXXXXXXXXXXXX	\$117,826.81
	Difference between Co. 3 & 4		
	Net <b>INCREASED</b> contract price		\$59,510.34

Original Contract Price:	\$ 543,208.90
Total Net Addition or Deduction by previous C.O. No.	\$ -
Total Amount of Contract Prior to this Change Order:	\$ 543,208.90
Net Addition or Deduction this Change Order No.:	\$59,510.34
Net Amount of Contract to date:	\$ 602,719.24

This time provided for completion in contract is (unchanged) (increased) (decreased) by \_\_\_\_\_ calendar days. This document shall become an amendment to the contract and all provisions of the contract will apply hereto.

**Recommended by:** \_\_\_\_\_ **Approved by:** \_\_\_\_\_

**Accepted by:** \_\_\_\_\_



301 W. MAIN OWOSSO, MICHIGAN 48867-2958 · (989) 725-0599 · FAX 723-8854

---

# *MEMORANDUM*

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DATE: January 7, 2012

TO: Owosso City Council

FROM: Mark A. Sedlak, Director of Public Works

RE: Progress Payment #4 for the 2012 Street Paving Program

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Attached is a progress payment #4 in the amount of \$357,509.36 to Michigan Paving & Materials Company for work completed up to November 21, 2012 on the 2012 Street Paving Program. This payment includes an additional \$59,510.34 from Change Order No. 1-Final.

This is not the final payment as \$10,000 is being retained to cover any landscaping work that may need to be completed in the spring.

We recommend council approve payment of progress payment #4 to Michigan Paving & Materials in the amount of \$357,509.36. This project is funded through the proceeds of the 2010 General Obligation Unlimited Tax Bonds.

**RESOLUTION NO.**

**AUTHORIZING PAYMENT #4 TO  
MICHIGAN PAVING AND MATERIALS COMPANY  
FOR WORK RELATED TO  
THE 2012 STREET PAVING PROGRAM**

WHEREAS, the city of Owosso, Shiawassee County, Michigan, has entered into an agreement with Michigan Paving and Materials Company for the 2012 Street Paving Program; and

WHEREAS, the contractor has completed a portion of the project and is now eligible for payment; and

WHEREAS, the city project manager recommends Pay Estimate #4 in the amount of \$357,509.36 for work completed through November 21, 2012, with said unit quantities and amounts having been agreed to by Michigan Paving and Materials Company.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Owosso, Shiawassee County, Michigan that:

FIRST: The City of Owosso has heretofore determined that it is advisable, necessary and in the public interest to pay Michigan Paving and Materials Company for work completed on the 2012 Street Paving Program.

SECOND: The accounts payable department is authorized to submit payment to the Michigan Paving and Materials Company in the amount of \$357,509.36 as detailed on the attached Payment Estimate #4 as authorized by Council on January 7, 2013.

THIRD: The above expenses shall be paid from the proceeds of the 2010 General Obligation Unlimited Tax Bonds.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF OWOSSO,  
SHIAWASSEE COUNTY, MICHIGAN THIS 7<sup>th</sup> DAY OF JANUARY, 2013.

---

Benjamin R. Frederick, Mayor

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Amy K. Kirkland, City Clerk

**PERIODIC COST ESTIMATE  
CITY OF OWOSSO  
301 W. MAIN  
OWOSSO, MI 48867**

1. Estimate No.:

4

4. Date Prepared

12/12/2012

5. Period Ending

11/21/2012

2. Sponsor's Name <b>CITY OF OWOSSO</b>		3. Sponsor's Address <b>301 W. MAIN OWOSSO, MI 48867</b>		6. Project No.	
7. Name of Project <b>2012 STREET IMPROVEMENT PROGRAM</b>		8. Location of Project: N Chipman, S Chipman, Grace, Grand Hickory & State		9. State: Michigan	
10. Name of Contractor <b>Michigan Paving &amp; Materials Company</b>		11. Address of Contractor <b>16777 Wood St. Lansing, MI 48906</b>		12. Work Performed Under: Lump Sum Contract: <input type="checkbox"/> Unit Price Contract: <input checked="" type="checkbox"/> Force Account: <input type="checkbox"/>	
13. Description of Work Curb & Gutter, and Sidewalk with Milling and Paving				14. Sponsor's Contract No.	
				15. Original Estimated Cost this Contract or Force Account <b>\$543,208.90</b>	
				16. Completion Time:	
				17. Percent Physical Completion	

18. Dates

a. Notice to Proceed	b. Work to Commence	c. Completion Date	d. Est. or Actual Completion <b>111%</b>	19. No of Days Contractor is	
				a. Ahead	b. In Arrears

20 Item No.	21. Description of Item	22. LATEST REVISED DETAILED ESTIMATE				23. WORK PERFORMED TO DATE		
		a. Quantity	b. Unit	c. Unit Price	d. Amount	a. Quantity	b. Amount	c. %
	<b>#1 CURB &amp; GUTTER AND SIDEWALK WORK</b>							
1	Earth Excavation	1170	CYD LM	\$ 13.00	\$ 15,210.00	1125	\$ 14,625.00	96%
2	Gravel Drive Removal	660	SYD	\$ 2.90	\$ 1,914.00	359.81	\$ 1,043.45	55%
3	Hard Surface Removal	11650	SFT	\$ 0.85	\$ 9,902.50	11221.21	\$ 9,538.03	96%
4	Curb & Gutter Removal	6250	LFT	\$ 3.75	\$ 23,437.50	6593.4	\$ 24,725.25	105%
5	Class III Fill Sand	1050	TON	\$ 13.00	\$ 13,650.00	650.63	\$ 8,458.19	62%
6	Curb & Gutter, Conc. Det 4 Mod.	7350	LFT	\$ 8.48	\$ 62,328.00	7624.8	\$ 64,658.30	104%
7	Mics. Curb & Gutter, Removal & Replacement	320	LFT	\$ 20.95	\$ 6,704.00	367	\$ 7,688.65	115%
8	4" Concrete Replacement	1470	SFT	\$ 2.65	\$ 3,895.50	1245.72	\$ 3,301.16	85%
9	4" Concrete Sidewalk Ramp	1000	SFT	\$ 7.65	\$ 7,650.00	758.31	\$ 5,801.07	76%
10	6" Concrete	14400	EACH	\$ 2.95	\$ 42,480.00	14192.17	\$ 41,866.90	99%

**24. CERTIFICATION OF CONTRACTOR**

I hereby certify that the work performed and materials supplied to date, as shown on this periodic cost estimate, represent the actual value of accomplishment under the terms of this contract in conformity with approved plans and specification; that the quantities shown were properly determined and are correct; and that there has been full compliance with all labor provisions included in the contract identified above.

BY: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of Contractor

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**25. ACKNOWLEDGMENT AND CONCURRENCE OF PROJECT ENGINEER**

I have examined this periodic cost estimate and concur in the certificate of the contractor.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature, Director of Public Services

**PERIODIC COST ESTIMATE**

**CITY OF OWOSSO**  
**301 W. MAIN**  
**OWOSSO, MI 48867**

1. Estimate No.:  
 4

Items and Column are numbered to correspond to those on Page 1 of this form.

6. Project No.

7. Name of Project  
**2012 STREET IMPROVEMENT PROGRAM**

8. Location of Project: N. Chipman, S. Chipman, Grace,  
 Grand, Hickory & State

14. Sponsor's Contract No.

20 Item No.	21. Description of Item	22. LATEST REVISED DETAILED ESTIMATE				23. WORK PERFORMED TO DATE		
		a. Quantity	b. Unit	c. Unit Price	d. Amount	a. Quantity	b. Amount	c. %
11	Catch Basin Filter	45	EACH	\$ 100.00	\$ 4,500.00	5	\$ 500.00	11%
12	Catch Basin Adjustment	11	EACH	\$ 200.00	\$ 2,200.00	11	\$ 2,200.00	100%
13	Water Valve Adjustment	5	EACH	\$ 120.00	\$ 600.00		\$ -	0%
14	Provide, Install and Adjust E.J. 7000 casting	5	EACH	\$ 925.00	\$ 4,625.00	5	\$ 4,625.00	100%
15	Temporary Lowing of Drainage Casting	7	EACH	\$ 400.00	\$ 2,800.00	5	\$ 2,000.00	71%
16	Catch Basin Reconstruction	2	VFT	\$ 200.00	\$ 400.00	3.3	\$ 660.00	165%
17	4' Dia. Drainage Structure w/ Casting	3	EACH	\$ 3,200.00	\$ 9,600.00	4	\$ 12,800.00	133%
18	Sewer Tap	4	EACH	\$ 400.00	\$ 1,600.00	7	\$ 2,800.00	175%
19	10" Sch. 26 Sewer Pipe TD. DT. B	330	LFT	\$ 29.00	\$ 9,570.00	389	\$ 11,281.00	118%
20	12" RCP w/ "O" Ring Joint TR. DT. B	370	LFT	\$ 31.00	\$ 11,470.00	309.5	\$ 9,594.50	84%
21	10" Storm sewer Connection	2	Each	\$ 150.00	\$ 300.00	2	\$ 300.00	100%
22	Restoration	4400	SYD	\$ 2.75	\$ 12,100.00	2497.58	\$ 6,868.35	57%
23	Gravel Trench Infill	5230	LFT	\$ 1.50	\$ 7,845.00	371.6	\$ 557.40	7%
24	Traffic Control	1	L SUM	\$ 7,203.75	\$ 7,203.75	1	\$ 7,203.75	100%
<b>#2 MILLING &amp; PAVING WORK</b>								
1	Butt Joint Cold Milling	1500	SYD	\$ 5.27	\$ 7,905.00	552.94	\$ 2,913.99	37%
2	Cold Milling	7750	SYD	\$ 2.35	\$ 18,212.50	16249.97	\$ 38,187.43	210%
3	Fine Grading	15	EACH	\$ 275.00	\$ 4,125.00	18.1	\$ 4,977.50	121%
4	Manhole Adjustment	18	EACH	\$ 200.00	\$ 3,600.00	7	\$ 1,400.00	39%
5	Water Valve Adjustment	17	EACH	\$ 120.00	\$ 2,040.00	7	\$ 840.00	41%
6	Provide, Adjust and Install E.J. 1120 casting with gasket seal cover	9	EACH	\$ 850.00	\$ 7,650.00	9	\$ 7,650.00	100%
7	Residential Street Paving	2550	TON	\$ 72.82	\$ 185,691.00	3573.04	\$ 260,188.77	140%
8	Bituminous Wedging	250	TON	\$ 67.76	\$ 16,940.00		\$ -	0%
9	Gould & Oliver Street intersection paving	50	TON	\$ 121.56	\$ 6,078.00	67	\$ 8,144.52	134%
10	Parking lot Paving	130	TON	\$ 109.38	\$ 14,219.40	133	\$ 14,547.54	102%
11	Bond Coat	2200	GAL	2.25	\$ 4,950.00	1390	\$ 3,127.50	63%
12	Monument Adjustment	5	EACH	100	\$ 500.00		\$ -	0%
13	Parking Lot Grading	1	L SUM	850	\$ 850.00	1	\$ 850.00	100%

**PERIODIC COST ESTIMATE**

**CITY OF OWOSSO**  
**301 W. MAIN**  
**OWOSSO, MI 48867**

1. Estimate No.:

4

Items and Column are numbered to correspond to those on Page 1 of this form.

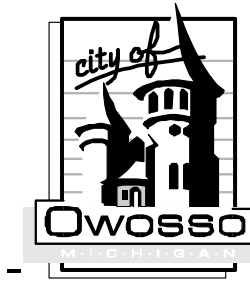
6. Project No.

7. Name of Project  
**2012 STREET IMPROVEMENT PROGRAM**

8. Location of Project: N. Chipman, S. Chipman  
 Grace, Grand, Hickory and State

14. Sponsor's Contract No.

20 Item No.	21. Description of Item	22. LATEST REVISED DETAILED ESTIMATE				23. WORK PERFORMED TO DATE		
		a. Quantity	b. Unit	c. Unit Price	d. Amount	a. Quantity	b. Amount	c. %
14	Drainage Structure Reconstruction	4	VFT	\$ 200.00	\$ 800.00		\$ -	0%
15	Traffic Control	1	L SUM	\$ 7,662.75	\$ 7,662.75	1	\$ 7,662.75	100%
	Addition Work Item							
	Sewer Repair on Grand		L SUM	\$1,000.00		1	\$ 1,000.00	
	Crushed Concrete Fill		Ton	\$ 24.00		185.22	\$ 4,445.28	
	Trucking & Milling Joint Repair on Oliver		L SUM	\$ 3,000.00		1	\$ 3,000.00	
	Bituminous Mix Cost		Ton	\$ 48.93		14.06	\$ 687.96	
					<b>TOTAL</b>		\$ 602,719.24	
					<b>LESS</b>		\$ 10,000.00	
					<b>SUB TOTAL</b>		\$ 592,719.24	
					<b>LESS PREVIOUS PAYMENT</b>		\$ 235,209.88	
					<b>TOTAL DUE</b>		\$ 357,509.36	



## WARRANT 455 December 21, 2010

<b>Vendor</b>	<b>Description</b>	<b>Fund</b>	<b>Amount</b>
Sungard Public Sector Inc	Software maintenance/licensing fees for Public Safety computer system-January 1, 2013 – December 31, 2013	General	\$ 8,868.04
Netarx, LLC	Network Engineering Support – November 2012	General	\$ 6,664.00
		<b>Total</b>	<b>\$15,532.04</b>



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# *MEMORANDUM*

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DATE: January 3, 2012  
TO: City council  
FROM: City manager  
RE: Seeking proposals for operation and maintenance of water and wastewater facilities

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Historically, when the public sector has provided utility service it has relied on the private sector for the provision of certain aspects of water and wastewater utility service, such as treatment plant construction, construction of pumping stations and the installation of water lines and sewer mains. The public-private partnership of water and wastewater utility services today has expanded to encompass long-term contractual agreements for operation and maintenance.

Usually public-private partnerships involve the city contracting with a private entity for management of the operation and maintenance of treatment facilities and may include more specific services, such as billing or meter reading, sewer cleaning, sewer televising, and repair of broken lines and mains. Many of these contracts are typically short term, usually five years or less, and do not generally include any capital investment by the private entity.

Long-term privatization contracts, 20 years or longer, usually involve capital investment by the private business. For example, construction/operation arrangements involve private construction of capital facilities followed by a transfer in ownership back to the government, perhaps 25 years later. These arrangements generally include provisions for private operation of the utility either before or after the transfer of the asset back to the public entity.

The national trend is toward public-private relationships. It appears that the first such public-private relationship involving water and wastewater utility services began in the 1970's with the city of Burlingame, California. By 1980, approximately 100 publically owned water and wastewater facilities were being operated by private partners. Since then the number has increased to around 3,000 nationally. When contracts have come up for renewal, 91% have elected to continue the relationship.

Many private firms now offer water and wastewater operation and management services. Firms range from international giants serving hundreds of customers to regional firms serving 10-12 communities.



The three largest cost elements in operating water and wastewater facilities are labor, energy, and chemicals. Private operators achieve cost savings by implementing such measures as:

- More efficient work practices,
- Cross-training of staff,
- Process automation and instrumentation,
- More efficient energy use,
- Reduced use of chemicals,
- Bulk purchasing to obtain discounts, and
- Predictive and preventive maintenance.

Employees have the most to gain from a public-private partnership, but as the people who will be most directly affected by the change, they are also often the most apprehensive. Most firms that compete for public-private partnerships readily agree to contract terms that protect existing employees:

- All current employees receive job offers (or are transferred to other city positions)
- No one is dismissed, except for cause,
- Employee compensation is equivalent or greater, and
- Staff reductions, if any, occur only through attrition, termination for cause, or transfer.

An IRS ruling generally allows employees hired by the private partner to continue to participate in a public pension system. Where the practice is permitted by state law, the private partner can thus opt to make contributions into a public employee pension system instead of transferring employees to a new system. Employees may choose the pension system they prefer.

Many communities use a two-step request for qualifications (RFQ)/request for proposals process (RFP). Using an RFQ first has three potential benefits:

- It indicates the level of interest in bidding on the project,
- It is far less costly to prospective proposers to prepare an RFQ than to respond to an RFP, and
- It allows the public entity to preselect only the two-to-five most qualified firms to receive the RFP.

The process has greatest value if the submitted statements of qualification (SOQs) differentiate the private firms sufficiently to limit the number invited to submit proposals.

Whether the RFP is issued after evaluation of qualifications statements in a two-step process, or issued directly, it should be written in a way that:

- Attracts competitive bids
- Minimizes questions after the RFP has been published
- Creates a level playing field for evaluation of bids
- Minimizes the number of issues that need to be negotiated before awarding the contract.

A well-defined statement of work provides the basis for realistic expectations between the parties. Important considerations include:

- Will the private partner be responsible solely for operating and maintaining the water or wastewater facility, or will the private partner have additional responsibilities?
- What functions are encompassed by “operations,” “maintenance,” and “repair?”
- Who is responsible for environmental compliance, industrial pretreatment programs, permits, and license fees?
- What responsibility does the private partner have for supporting infrastructure, such as the water or wastewater delivery system and biosolids treatment and disposal?

- What responsibility does the private partner have for functions related to operation and maintenance, metering, billing, collections, and customer service?
- Who is responsible for equipment replacement costs?
- Which partner will be responsible for capital improvements?
- What are the design parameters and system capabilities required for new construction or major upgrades of the existing facility?

Sometimes, specifying what is not included in the statement of work may provide additional clarity and prevents misunderstandings during the contract term.

It appears that now is the opportune and correct time to seek proposals for operation and maintenance of Owosso's water and wastewater facilities. Staffing is low, improvements are necessary and private firms are seeking contracts.

## **CONTRACTING WATER AND WASTEWATER UTILITY OPERATIONS**

by  
Roger Hartman, Ph.D., P.E.

### **EXECUTIVE SUMMARY**

**Mounting regulatory pressure, scarcity of competent personnel, and significant budgetary problems are leading more and more communities to consider private-sector contract operations and maintenance (O&M) of water and wastewater facilities. At present, there are about 400 O&M contracts in the United States for municipal water and wastewater facilities with rated capacities over 1 million gallons per day. This represents about 5 percent of all facilities.**

**When properly implemented, contract O&M can provide greater accountability for operations, allow community leaders to shift the risk of meeting environmental standards to the private sector, and bring added expertise to the increasingly complex operating environment of water and wastewater systems. Contract O&M also offers a more predictable operations budgeting process, and an opportunity for local governments to realize operational savings that can be shifted to investments in capital facilities.**

**While cost savings is often cited as the primary reason municipal officials consider contract O&M, price alone should not determine contractor selection. In addition to a guaranteed price, the contractor is providing professional management, technical expertise, and financial controls for water and wastewater operations. Hence, a contractor with a record of successful operations is the key to achieving maximum benefit from private contract O&M.**

**Equally necessary is a relationship of mutual trust between the contractor and the municipality. An objective and unbiased procurement process is important in early development of this relationship. Since contract O&M is a professional service that provides management, financial, and human resources capabilities, a procurement process similar to that used in securing other professional services should be used. Professional operation, efficiency, and performance are the keys.**

**For many municipal officials contracting out raises concern over loss of daily operating control. The owner is placing millions of dollars of assets in the hands of a contractor for operation and maintenance, yet the owner will continue to be the permit holder and be ultimately responsible for overall performance. It is important for the owner and contractor to develop an agreement that affords the owner a level of accountability, as well as liability and fine protection, that can substitute for the owner's direct control. If this is accomplished, private operation of municipal water and wastewater facilities is a valuable option for community leaders.**

## **I. WATER AND WASTEWATER UTILITY OPERATIONS: WHY CONTRACT?**

Contract operations and maintenance services are performed by a private firm under an agreement with a municipality or district. The contractor takes full responsibility for specific utility functions, generally the complete operation and maintenance of water and wastewater treatment facilities. Operating under a fixed budget and guaranteeing plant performance and product quality, the contractor is responsible for payment of all normal and routine costs associated with the operation of specific facilities. Major capital expenditures for expansion and upgrade of facilities, however, remain the responsibility of the municipality.

Ever-tightening environmental regulations and increasing capital costs for expansion and upgrade of facilities are presenting major challenges for local officials. The 1986 Safe Drinking Water Act (SDWA) amendments are a significant source of increasing costs for water supply systems. These amendments require establishment of specific limits on a wide range of drinking water contaminants, disinfection of public water supplies, and rules for the treatment of surface waters. Cost estimates for compliance with the 1986 amendments range as high as \$49 billion.<sup>1</sup> The subsequent impact of these added costs on water service rates generally vary with system size. Small systems, lacking economies-of-scale, tend to be hardest hit by new regulations. The EPA estimates that systems serving populations less than 10,000 will require annual rate increases of over 35 percent. This compares with an estimated 25 percent annual rate increase for systems serving more than 250,000 people.<sup>2</sup>

The Clean Water Act (CWA) is of particular interest to the wastewater services community. Under its predecessor, the Federal Water Pollution Control Act of 1972, provisions were made for federal matching grants of up to 75 percent of capital construction costs. Between 1973 and 1988, over \$50 billion were granted to municipalities and districts for construction of wastewater treatment facilities. The Construction Grants Program was never intended to be permanent, however, and in 1987 the EPA began to phase-out the program, replacing it with state revolving loan programs. Unless modified by an economic stimulus package, all federal assistance to local governments for wastewater treatment facility construction will end by 1994.<sup>3</sup> Therefore, in the future, local government will be responsible for the full cost of wastewater treatment capital improvement.

In addition to the costs of upgrading to meet ever-tightening regulation, communities also will be faced with renewal and replacement of capital facilities that have reached the end of their design lives, or that have been used more heavily or have deteriorated more rapidly than anticipated.<sup>4</sup> Local expenditures for operation and maintenance of wastewater facilities increased by 50 percent from 1980 to 1987. Many smaller communities anticipate an additional 100 percent increase in household user charges in order to comply with likely future requirements.<sup>5</sup> A 1992 survey by the Association of Metropolitan Sewerage Agencies projects that household user fees will double over the 10-year period ending in 2000 and could increase tenfold by 2010.<sup>6</sup> The full cost of capital improvements, renewal and

replacement programs, upgrades in response to stricter regulation, and application of new technology, will increase costs to the ratepayer.

Many municipalities have invested heavily in advanced water and wastewater treatment facilities. Despite the application of sometimes complex technology, most modern water and wastewater treatment facilities can and will perform to design capabilities provided they are staffed by experienced operations and management personnel. But, competent staff who have successfully operated less complex facilities may fail when faced with upgraded or more complex equipment and processes.<sup>9</sup> Inadequate training, often a result of insufficient operating funds, can lead to improper operation and poorly administered maintenance programs. Contract O&M provides an opportunity to bring added operational expertise to the increasingly complex operating environment of water and wastewater systems. It also can provide greater accountability for operations, and can allow community leaders to shift the risk of meeting environmental standards to the private sector. Further, contract O&M offers a more predictable operations budgeting process, and an opportunity for local governments to realize operational savings that could be shifted to investments in capital facilities.

## II. SERVICE DELIVERY OPTIONS

A spectrum of public-private arrangements can be developed for delivery of water and wastewater services. When characterized as arrangements varying from the highest to lowest degree of private-sector involvement, four arrangements can be delineated. In a **merchant facility**, not only does the private sector own and operate the water or wastewater facility, it also makes the decision to provide the environmental service to the community at large. It is in effect a franchise that involves water or wastewater services. If the private sector owns, builds, and operates the environmental facility, it can be termed **privatization**. The distinguishing difference is that, in the latter case, the municipality is charged with providing the environmental service and chooses to do so through private means. For a **turnkey** facility, the private sector designs, constructs, and operates facilities owned by the public sector. The public sector assumes the financing risk while the private sector assumes risk for performance and compliance with regulatory requirements.

Under a **contract services** arrangement, the facility is owned by the municipality. The private sector is contracted to maintain and operate some or all of the system components including treatment plants, collection and/or distribution system, laboratory services, billing and collection. While the profit motive provides the contractor with an incentive to reduce costs within the constraints of the contract, the contract for O&M services can include other incentives to perform in the most efficient manner. Contractor penalties or termination of the contract for unsatisfactory performance, for example, act to induce proper contractor behavior.

### **III. THE CONTRACT O&M INDUSTRY**

More and more communities are exploring contract operation of their water and wastewater facilities. There are about 400 contracts in place nationwide. This represents less than 5 percent of the municipal water and wastewater facilities in the United States with rated capacities greater than 1 million gallons per day. The majority of these O&M contracts, 85 to 90 percent, are for wastewater treatment facilities. This breakdown is likely the result of the elimination of the federal construction grants program, the major funding source for wastewater treatment facilities, and the view of many communities that close control of their potable water systems is an issue of public trust and necessity. However, the realities of utility-system economics, needed capital investment to upgrade treatment, and tighter standards stemming from the SDWA are causing community leaders to reassess that traditional position of water-system control.

The water and wastewater contract O&M market is highly competitive. A number of firms are operating subsidiaries or business units of engineering firms who traditionally provide design services to the municipal water and wastewater industry. Others are stand-alone companies whose sole business is contract services. There are five leading national firms, plus over a dozen companies operating on a regional basis. The balance of the water and wastewater contract operations market is handled by up to 50 smaller, more localized firms.<sup>7</sup>

The five leading national firms are:

- Professional Services Group (PSG)
- Wheelabrator EOS
- Metcalf & Eddy Services (M&E)
- Operations Management International (OMI,  
an operating subsidiary of CH2M  
HILL)
- JMM Operational Services Incorporated  
(JMM-OSI, an operating subsidiary of  
Montgomery-Watson Engineering  
Consultants)

A few of the leading regional firms include:

- McCullough
- WW Operations
- OBG Services
- Environmental Management Corporation  
(EMC)
- CFM Environmental

### **IV. BENEFITS AND BARRIERS OF CONTRACT OPERATIONS**

Communities considering contract operation often cite cost savings as the prime motivation. Other problems and circumstances, such as, a shortage of trained personnel, startup of a new facility, ongoing

regulatory violations, personnel problems, or volatile operating costs, also can motivate municipalities to examine the contract O&M option.<sup>8</sup>

Cost savings may be accomplished in a variety of ways. Chief among these are reduced staffing levels, backup expertise, energy efficiency, training maintenance programming process control, and capital improvements. While there are numerous documented cases of cost savings as high as 30 percent, there also are cases where operating costs increased under the private contractor. Savings are a function of a variety of factors, including the nature of the facility and its specific problems. Often, the contractor must shift savings into other deficient areas to improve overall performance. The primary goal of the contractor is *improved, consistent operating performance* thereby giving the owner the greatest value for the money spent. In many cases, however, meaningful cost savings are also achieved.<sup>9</sup>

Cost control by the contractor also tends to stabilize operating budgets by guaranteeing operating costs. This can assist in minimizing overall cost increases and, hence, user charges. In addition, the contractor often improves the quality of operation through enhanced process control, maintenance management systems, staff training, and technical expertise frequently unavailable to publicly operated facilities. Finally, by shifting programs and staff to a private contractor, the municipality can recognize reduced administrative burden. This releases resources for other priorities and allows public managers to plan for the future rather than have to focus on day-to-day utility operations.

Pressing capital needs and associated utility rate increases often provide the impetus for consideration of contract services. Clearly, O&M cost savings can be reapplied to capital needs; but, carefully crafted contract O&M can produce other sources of capital. A contract in Glencove (N.Y.) allowed that city to defer half of its annual contract payments (\$1.5 million) for wastewater treatment for the first three years. The city also deferred operating costs for its trash incinerators, which were part of the contract as well, for one year. These contract provisions provided immediate capital for the community. Further, the contractor agreed to finance and implement more than \$12 million in other utility-related capital improvements. In return, the contractor received a 20-year operating contract.

Similarly, Farmington (N. Mex.) secured more than \$300,000 in refurbishments to one of its water treatment facilities, and an additional \$315,000 in cash through sale of utility department vehicles and rolling equipment to the O&M contractor. Further, changes and adjustments in system operations allowed deferral of other planned capital improvements. The net result was stabilization of water rates and a net 20 percent reduction in wastewater rates. In both examples, the contractor was able to offer tangible immediate relief to capital shortage problems.

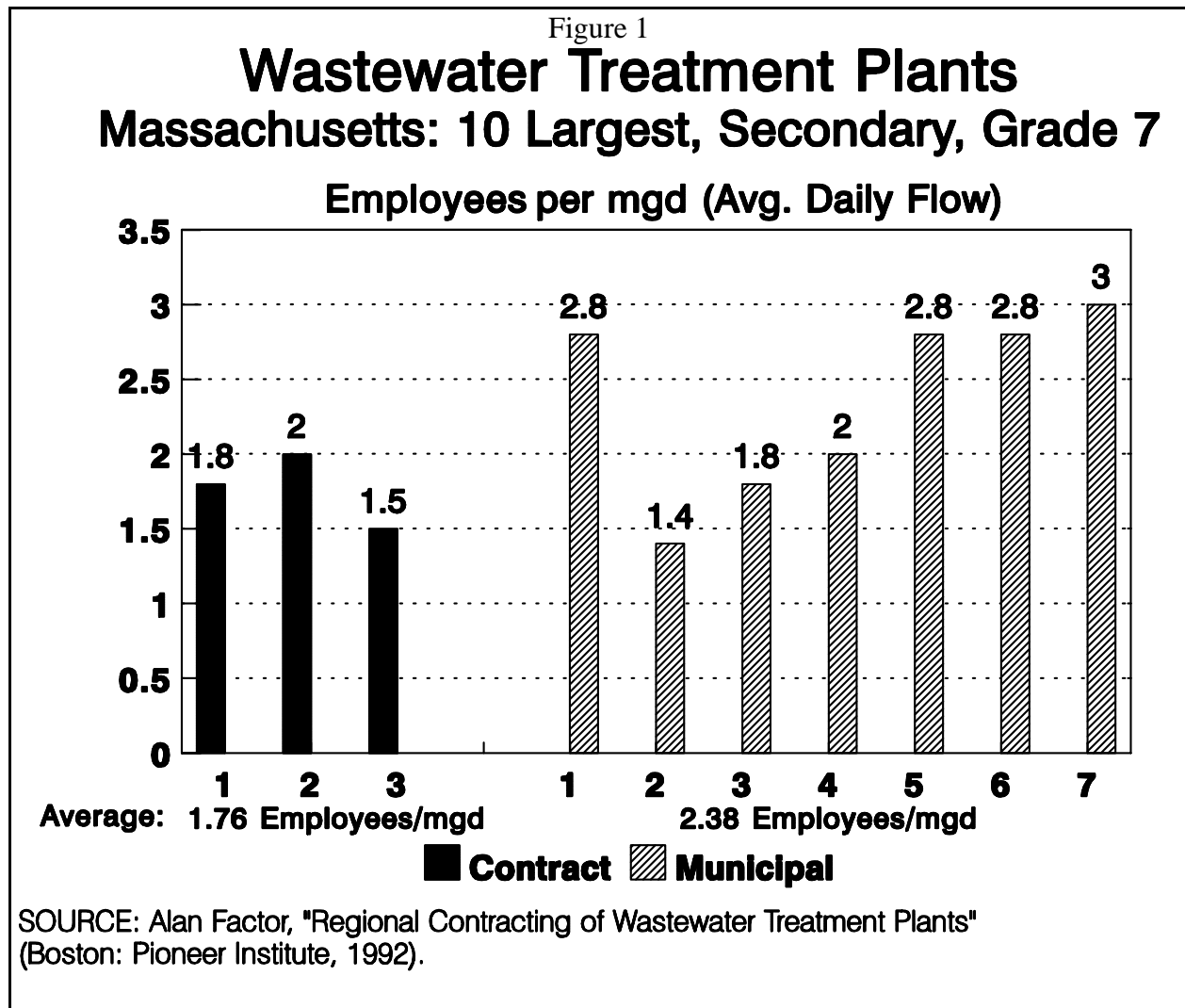
Barriers to contract operations of municipal water and wastewater facilities can take several forms. More often than not, opposition by public employee bargaining groups is cited as a major obstacle. More than 80 percent of the respondents to a recent survey by the Reason Foundation indicated that public employee opposition was a major concern. The same survey cited opposition by elected officials as the second most-significant hurdle to contracting of services.<sup>10</sup>

Utility management and employee-bargaining groups have generally opposed contracting programs even when present employees were protected or significant cost savings identified. While these groups often sway political opinion against contracting, opposition tends to decline in response to other pressures such as the potential for significant rate increases, or when the public becomes aware of deficient management of water and wastewater operations.

Public employee groups often raise issues about the elimination of well-paying public jobs, contractor accountability, and fraud in awarding contracts. These are issues that can be overcome in the contracting process or in development of the contract itself. Most communities that opt for contract O&M require that public employees be the first employees hired by the new contractor, and the contractor may be required to maintain or increase salary levels for employees who move from the public to private sector. Generally, contract O&M firms recognize the value of the hands-on knowledge that current employees possess. Offering employment to qualified, knowledgeable, and motivated employees is in the economic interest of the contractor.

Contractors generally do not achieve cost savings by cutting back on employee wages, but rather through reduced administrative and overhead costs, and through making better application of personnel, technology and equipment. As shown in Figure 1, recent review of the 10 largest secondary wastewater treatment facilities in Massachusetts indicated that staffing for three private-sector-operated plants was approximately 25 percent lower than that of 7 comparable municipal operations.<sup>11</sup> Even when staff reductions do occur, they generally happen over an extended period of time and result from attrition in the workforce.<sup>12</sup>





## V. REQUESTING QUALIFICATIONS AND PROPOSALS

While cost savings may be the principal reason municipal officials consider contract O&M, price alone should not be the sole determinant in selecting a contractor. In addition to a guaranteed price, the contractor is providing professional management, technical expertise, and financial controls for water and wastewater operations. A contractor with a proven track record of successful operations is the key to achieving maximum benefit from private contract O&M.<sup>13</sup> Therefore, the selection process for professional O&M services should be similar to that used to procure other professional services such as engineering, financial or legal consultation. The "best" contractor is the one that meets the specific operating needs of the community. Because of the range of technical and management skills required

for success, and the possibility of access to needed capital, the “low” bidder may not be the most-responsible contractor to deliver O&M services.

A qualified contractor should have a proven successful record of operations similar to those that are being contemplated by the municipality. This means that the contractor should have operated facilities that are similar in size, technical and process complexity, and operating budget size. The contractor also should have demonstrated financial stability, ability to post a performance bond, technical and management experience, and, especially in today's work place environment, on-staff human resources and access to human and labor relations capabilities. The ability to offer creative financial arrangements also can enhance the credentials of prospective contractors. By using a prequalified list of potential contractors with these types of credentials, the likelihood of successful contract operations should be substantially increased.

The *request for proposal* should contain sufficient information such that potential contractors can prepare comparable bids. The request should include:

- A description of the facilities for which the contractor will be responsible;
- The scope of services to be provided by the contractor;
- Services to be provided by the owner;
- Criteria for contractor selection;
- A provision for inspection of the facilities and access to certain operating and budget data and information (facility design data, process flow schematics, regulatory requirements and permits, current operations plan and performance reports, current maintenance program, current operating budget, current employee salary schedule, labor agreement (if applicable), description of significant maintenance and/or operational problems, and planned capital additions or improvements);
- A copy of the proposed (draft) contract; and
- A detailed cost proposal form to be completed and submitted by the contractor as part of the proposal.

Because of the nature of the relationship between the contractor and the municipality, it is important that the contractor and municipal staff have confidence in each other. An objective and unbiased procurement process provides the foundation for such a relationship.

In comparing proposed contractor pricing with the cost of continued public-employee operation, a valid and defensible assessment of the actual government cost is necessary. The fully allocated cost of

continued government delivery must include both direct and indirect costs. Direct costs include employee salaries and benefits, operational costs, supplies, maintenance contracts, annual capital costs for equipment, and insurance premiums. Indirect costs include allocated management and administrative support services, and allocated overhead of other executives and staff agencies. From these, costs that are truly avoidable through the contract option are determined. This is the cost to be avoided by contracting, and can be compared with the contractor price.

To the proposed contractor price, however, the annual costs of contract procurement and administration must be added. The procurement costs (for example, contract and proposal development, bid processing, severance pay and benefit buyouts) are amortized over the life of the proposed contract. Administrative costs, on the other hand, vary according to the size and complexity of the contract, and include personnel salaries, services and supplies, and equipment. It is these adjusted costs that should be used in making the decision to contract.<sup>14</sup>

## **VI. ELEMENTS OF THE O&M CONTRACT<sup>15</sup>**

Concern regarding loss of control of daily operations is a key issue. The owner is placing millions of dollars of assets in the hands of a contractor for operation and maintenance, yet the owner will continue to be the permit holder and be ultimately responsible for overall performance. Whether this loss of control is real or merely perceived is immaterial. What is important is whether the owner and contractor can craft an agreement that affords the owner a level of contractor accountability, as well as liability and fine protection, that can substitute for the owner's direct control.

The contract defines the standards of performance for the contractor. It may specify that the contractor must meet NPDES permit discharge or SDWA drinking water standards for wastewater and water-treatment operations, respectively. The contract may require that the contractor meet these standards while operating the facilities in a cost-effective and professional manner, or that only a specified amount of energy be used in operating the facilities. On the maintenance side, the contract may state that equipment shall be maintained in accordance with the manufacturers' recommended maintenance schedules, or that corrective maintenance work orders be completed within a specific time period depending on priority or criticality. The contract also can assist the owner in maintaining a necessary degree of control over the contractor. Within the contract, the owner can specify routine reporting requirements, financial reconciliation reports, performance summaries from the contractor's maintenance management system, an annual report to the council or board, and an annual audited financial statement.

Every major contract O&M company has a standard contract. These are the result of numerous negotiating sessions with clients, as well as requirements from insurance carriers, internal and external legal opinions, or terms that may be offered by contract O&M competitors. But, an examination of various standard contracts reveals that there are few significant differences in these contracts. The contract form and language, however, must reflect the owner's preference with regard to a variety of

issues including control, monitoring, reporting, liability, and employee transition. From this view, it may be preferable for the owner to draft the contract for consideration by the contractor. The owner may wish to incorporate some of the contractor's standard language if such language is acceptable.

### **A.Contract Term and Contract Renewal**

In the United States, O&M contracts typically are for five-year periods. There are some contracts with ten-year terms, but generally state or local procurement codes limit contracts to five years or less. Further, interpretation of the 1986 Tax Reform Act by some municipal bond counsels suggests that contracts should be limited to a three-year period if tax-exempt revenue bonds were used in constructing the facilities. Hence, term conditions can vary widely from location to location.

### **B.Definition of Facilities**

The Definition of Facilities to be operated provides a physical description of the facilities including location, major features and appurtenances, function, design parameters, and size.

### **C.Scope of Services**

The scope of services describes the services to be provided. Certainly, the facilities are to be operated and maintained, but the scope helps define *how* they are to be operated and maintained. For example:

- In a professional and cost-effective manner while meeting applicable regulations;
- Within design limitations;
- While guaranteeing effluent or product water quality. If influent quality is outside of the control of the contractor, the owner may be at risk, however;
- By establishing certain programs. Examples include a computer-supported maintenance-management system, a process control system, an effective safety program, a laboratory quality assurance and quality control (QA/QC) program, or a public-relations program;
- With certain staffing requirements. Specifying staffing can tend to tie the hands of the contract operator, but some regulatory agencies do in fact set minimum staffing requirements;
- While maintaining an appropriate inventory of spare parts, the appearance of the building and grounds; and
- Using local vendors and services when possible and appropriate.

The scope may also specify certain contractor reporting to the client. These might include monthly operating reports, quarterly maintenance account reconciliations, and an annual report and audit to the city council or board of directors. The scope also may include language regarding the submittal of an annual operating budget, capital acquisition requests and a maintenance plan by the contractor.

The scope can also spell out requirements for transition into the first year of the contract or at contract termination. There likely will be requirements for an equipment and facilities inventory including vehicles and spare parts, and a corresponding inventory of consumables (for example, small hand tools and chemicals). Ownership of certain inventory may also be passed from the owner to the contractor.

#### **D.Compensation**

Compensation can be addressed in a variety of ways. *Basic compensation* is the monthly or quarterly payment to the contractor for carrying out the scope of services. This basic payment can be based on a lump-sum bid, an incentive-related pricing structure or a cost-plus arrangement. Generally, there is language that allows adjustment to compensation for cost increases to the contractor (tied to various indices), and for significant changes in flows and loadings. The language should contemplate reductions in cost as well as increases. This section can also include language on changes in scope, maintenance expenditures and contractor incentives. Finally, the compensation section outlines requirements for the submittal of invoices by the contractor and subsequent payment by the owner.

#### **E.Employee Transition**

Employee transition language is common in first-time contracts. The section can cover issues such as job offers to existing employees, retirement arrangements, restrictions on transfers during some specified period, and initial wage-increase guarantees. These same issues sometimes are handled in a separate side agreement between the owner and contractor.

#### **F.Liability and Insurance**

Liability and insurance are important issues. The contract specifies the types and amounts of insurance coverages that the contractor must provide, and requiring the contractor to submit proof of coverage to the owner. In some instances, the contractor also may require the owner to carry certain insurance policies as well. Typically, the contractor is obliged to secure workers' compensation, property, and general liability insurance. Some communities have expressed interest in environmental impairment insurance, but when evaluated, it has generally been found to be relatively expensive and not readily available. A performance bond posted by the contractor may also be required, generally in the amount of one years' O&M price. While providing additional "comfort," insurance and performance bonds add to the overall costs to the project.

#### **G.Termination**

Termination outlines the conditions under which the contract may be terminated. Generally there is language for termination with cause, and for emergency take-over by the owner. The chief differences are the time frames for notice and the opportunity for remedy from termination with cause. In some cases, language to terminate the contract without cause by either party is negotiated by both parties.

## **H.Maintenance**

Communities often have tens of millions of dollars invested in their water and wastewater treatment facilities and systems. Proper corrective, preventive and predictive maintenance is the first line of defense in protecting that investment, and in assuring that facilities and equipment are available and in operating condition when required. Maintenance is an area where the owner also perceives significant potential for loss of control. By including proper monitoring and control features in the contract, and possibly by establishing some contractor incentives, a great deal of control can be exercised.

## **I.Normal Maintenance**

Normal maintenance includes all preventive, repair, and corrective procedures for an equipment unit up to an agreed-upon amount, for example \$2,000. By definition, anything in excess of this amount is termed *major maintenance*. The owner pays for maintenance procedures that are in excess of normal, for example, major maintenance and capital replacements. Assigning this responsibility to the owner, and the concept of a “deductible,” are reasonable and necessary accommodations since the contractor has no intimate knowledge as to past maintenance practices performed by the owner or others. Because maintenance expense in excess of the “deductible” is often paid by the owner, the owner may want to budget some funds for such occasions.

The contract also can specify an upper-limit budget, or *maintenance ceiling* for repair and corrective maintenance. The owner should require the submittal of an annual repair/replacement plan with quarterly (monthly in the final quarter) updates of the plan. The owner should also request quarterly and annual reconciliations of the maintenance-ceiling account as part of routine accounting from the contractor. Taken together, these routine reports should allow the owner to monitor the contractor's maintenance function.

Under most O&M contracts, major maintenance (or abnormal repair) is a risk for the owner. Conversely, the contract should also state that any unexpended maintenance funds are returned 100 percent to the owner. This is to discourage any tendency an unscrupulous contractor may have to reduce maintenance in an effort to gain additional profit. The owner should also be on the lookout for contractor-caused repairs and/or replacements or ones covered under any equipment warranty. Always ask for copies of analyses, tests, or diagnostic information.

A third category of maintenance expenditure, **capital replacement**, is also generally the responsibility of the owner. These are planned replacements of an entire equipment unit based on a repair/replace evaluation, or cost-effectiveness analysis. The owner needs to be aware of these potential added expenses and include them in the annual budget process. The planned list should be presented as part of an annual budget plan submitted by the contractor to the owner. Consequently, the contractor must be aware of the owner's budget process so that adequate time is available for evaluation and capital-replacement plan development.

## **J.Incentives**

Following labor expenses, **energy costs** may be the second largest cost category, sometimes representing as much as 25 percent of O&M expenditures. Utility expenses also present an area that can generate substantial savings with careful monitoring and control. The key to realizing these savings is to craft a contract that provides incentive to the contractor to control and reduce energy costs, but also recognizes the uncertainties related to changing plant loadings, process requirements, or pumping.

The volatility of unit-energy prices typically can be handled in one of two ways. The easiest is to assign payment of energy bills to the owner. This is least risky for the contractor, eliminating any exposure to rapidly changing unit prices. The theory is that had the owner elected to retain operations, the same changing of unit prices would have been experienced by the owner. A second method for handling unit-energy prices places the problem entirely in the hands of the contractor. It allows for periodic adjustment of the energy budget within the contract year based on changes to the tariff schedule of the supplying energy utility. Under this arrangement, the contractor has exposure for increases in unit prices that might occur after an adjustment is made.

Generally, the contractor also agrees to a defined energy budget (or “baseline”)—kilowatt-hours (kWh) and demand (kW) for electricity, and hundred cubic feet (ccf) for natural gas. The baseline is established from analysis of several years of energy data, including adjustment for abnormally wet or dry years and changes in flows and loadings. In order to provide incentive for the contractor to reduce energy use, dollar savings resulting from energy use below the baseline are shared between the client and the contractor. The sharing arrangement may be 75/25 or 50/50, depending on the negotiated contract. In subsequent years, the baseline is adjusted downward, reflecting the savings achieved the preceding year. The greatest opportunity for energy savings and incentive sharing is in the first year of contract operations. Subsequent downward adjustment of the baseline reduces the potential for incentive payments in latter years.

To restrain the contractor from unbridled energy use beyond the baseline, the contractor can be made responsible for any and all use above the energy baseline. While this may be simple, it does not recognize abnormal years (dry years or wet years) or changes in flows and loadings. The latter is especially important in rapidly growing communities. A more equitable arrangement may be to limit the contractor's exposure, to say 105 or 110 percent of the baseline after adjustment for increased

growth-related loadings. Energy usage beyond that amount presumably would be due to abnormal conditions and could be assigned to the owner, or possibly split 50/50 between the contractor and the owner.

The contractor is obligated to produce water quality meeting all permitted standards. There are instances, however, when merely meeting permit requirements is not enough. The owner may want the best quality achievable using the available facilities. Or, from a maintenance perspective, the owner may want minimum downtime of critical equipment and rapid turnarounds on all maintenance work orders. Under either of these circumstances, a *performance incentive* can be made part of the contract. A portion of the contractor's management fee (or overhead and profit) can be set aside with payment conditioned on exemplary performance of certain tasks. The key is in setting the objective standards against which the contractor is to be measured.

The contract contains not only the scope of services and the method of compensation, but also presents the standards of contractor performance and owner-control requirements. The goal is "comfort" and accountability that can substitute for the owner's direct control.

**Summary: Elements of a Contract**

- Contract Term and Contract Renewal
- Definition of Facilities
- Scope of Services
- Compensation
- Employee Transition
- Liability and Insurance
- Termination
- Maintenance
- Normal Maintenance
- Incentives

## **VII.PUBLIC AGENCY PROPOSALS**

There may be instances when the municipality's operating department may also submit a proposal for continued operation of the facilities. To preserve the objectivity and fairness of the procurement process, it is imperative that the operating department be held to the same proposal procedures and requirements as any potential contractor. The public-agency department should submit its sealed proposal subject to the request for proposal

deadline. The cost proposal should also reflect the true cost of continued public-agency operation including adjustments for internal costs such as avoidable allocated overhead. Further, the public-agency proposal should also present proposed cost, process and maintenance controls, training and safety programs. In other words, the agency proposal must be responsive to the request for proposal, and should express willingness to be held to the same contract terms and performance requirements that would apply to a private contractor. Similarly, the governing board must be willing to terminate the "contract" if the public-sector agency violates the contract terms and conditions.



Again, to maintain the objectivity and fairness of the procurement process, individuals involved in preparing the agency proposal, or having management responsibility for the operating department, should not take part in the evaluation of the proposals. It may be advisable to retain an outside consultant or other third party to evaluate proposals and bids. To do otherwise is to expose the procurement process to questions of fairness.

## **VIII. CONCLUSIONS**

Water and wastewater service delivery costs are increasing. In part, this is a result of added regulation, but escalating capital and renewal and replacement costs are adding to the increases as well. In addition, the application of more complex technology to water and wastewater treatment is leading to the need for more skilled and experienced operations personnel. In an effort to deal with these issues, more communities are examining contract O&M of water and wastewater facilities. The current market for these services is in excess of \$400 million annually, representing about 5 percent of the municipal facilities in the United States.

Contract O&M is a professional service that provides management, financial, and human resources capabilities. As such, a competitive procurement process similar to that used in securing other professional services should be used. It is important that “low bid” not be the only criterion used in contractor selection. Technical expertise, program management, and demonstrated success under similar circumstances is equally, if not more important than bottom-line price. Professional operation, efficiency, and performance are the keys.

The contract sets the standards of performance for the contractor requiring cost-effective and professional operation. The contract may state that equipment be maintained in accordance with the manufacturers' recommended maintenance schedules, or that corrective maintenance work orders be completed within a specific time period depending on priority or criticality. Since loss of control of daily operations is a key issue in contract O&M, it is also important that the owner and contractor develop a contract that affords the owner a level of contractor accountability that can substitute for direct control. If this is accomplished, private operation of municipal water and wastewater facilities is a valuable option for community leaders.

## **ABOUT THE AUTHOR**

Roger Hartman, Ph.D., P.E., is an independent consultant with 20 years of experience in the municipal water and wastewater utility industry. He has both public- and private-sector

management experience, and has completed utility management, planning and operations projects throughout the United States. He is based in Boulder, Colorado.

## **ACKNOWLEDGEMENTS**

Comments on earlier drafts of this paper were provided by David Haarmeyer, senior policy analyst at the Reason Foundation.

## ENDNOTES

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REGULAR MEETING MINUTES  
OWOSSO DDA / MAIN STREET  
Council Chambers, City Hall  
Dec. 5, 2012 – 7:30 am.

MEETING CALLED TO ORDER at 7:35 a.m. by Chairman Dave Acton.

ROLL CALL was taken by Secretary Alaina Kraus.

MEMBERS PRESENT: Chairman Dave Acton; Authority Members Dawn Gonyou, Lance Omer, Ben Frederick and Bill Gilbert (arrived 7:42 am); Secretary Alaina Kraus

MEMBERS ABSENT: Authority Member Mistie Jordan, Treasurer James Demis; Vice-chairperson Barb Bucsi.

OTHERS PRESENT: Heather Rivard, DDA / Owosso Main Street Manager; Jackie Leone, Press.

AGENDA:

MOTION BY AUTHORITY MEMBER OMER, SUPPORTED BY AUTHORITY MEMBER GONYOU TO APPROVE THE AGENDA AS AMENDED FOR DEC. 5, 2012.

YEAS ALL. MOTION CARRIED.

MINUTES:

MOTION BY AUTHORITY MEMBER FREDERICK, SUPPORTED BY AUTHORITY MEMBER GONYOU TO APPROVE THE MINUTES FOR THE MEETING OF NOV. 7, 2012 WITH PHRASING ADJUSTMENT.

YEAS ALL. MOTION CARRIED.

PUBLIC / BOARD / STAFF COMMENTS: None

COMMITTEE UPDATES

1. Promotion – Chairman Acton

Organization of events is tight and getting tighter. Managing the budget well.

2. Organization – Chairman Acton

Tomorrow there is a meeting for a uniquely designed coffee cup that will be molded in Owosso and would be a part of a package for membership in Owosso Main Street for a cost. Mike Inman is project manager of the website and has been diligently working to get the website up to date with information from all committees.

3. Economic Restructuring – Authority Member Lance Omer

The committee is working on expanding including working more with Adam Zettel. Jim Demis has been working on procuring commitments and funding for the Market Study. We are currently about half way there. Also, the report and letter for Trust

Thermal with the recommendation for the city to sell them a partition of the lot needed for their parking lot improvements with conditions including the preservation of the green space.

#### 4. Design – Authority Member Bill Gilbert

The wrought iron tables have been received for the two chat areas on North St. They have not yet been fastened, which will be completed between the employees of Gilbert’s and the city employees. Kathryn Gehrs-Pahl is working on accessing 6 grants towards gardening, which will have a new work plan. A new workplan involving the organization and a tour of the flower beds is being developed. There is also a workplan in development concerning encouraging businesses to do seasonal window displays and improvements to their front and back entrances.

#### ITEMS OF BUSINESS:

##### 1. CHECK REGISTER APPROVAL.

Check Date	Vendor Name	Description	Account Number	Alpha Tag	Amount	Check Number
11/02/12	Nick Bird	Promotion - DOFM subsidies	296-000-158.000		100.00	1702
11/02/12	Mary Borroum	Promotion - DOFM subsidies	296-000-158.000		95.00	1703
11/02/12	Darling, Shawn	Promotion - DOFM subsidies	296-000-158.000		7.00	1704
11/02/12	Gibson, Mary	Promotion - DOFM subsidies	296-000-158.000		11.00	1706
11/02/12	Great Harvest	Promotion - DOFM subsidies	296-000-158.000		42.00	1707
11/02/12	Roger and Dawn Hall	Promotion - DOFM subsidies	296-000-158.000		60.00	1708
11/02/12	Hang Farms	Promotion - DOFM subsidies	296-000-158.000			1709
11/02/12	Char Hubbard	Promotion - DOFM subsidies	296-000-158.000		140.00	1710
11/02/12	Joe Jelinek	Promotion - DOFM subsidies	296-000-158.000		22.00	1711
11/03/12	Journey Café	Promotion - DOFM subsidies	296-000-158.000		14.00	1712
11/02/12	Kanthe Farm	Promotion - DOFM subsidies	296-000-158.000		40.00	1713
11/02/12	Miller, Regina	Promotion - DOFM subsidies	296-000-158.000		37.00	1714
11/02/12	R&B Poultry	Promotion - DOFM subsidies	296-000-158.000		43.00	1715
11/02/12	Rodgers, Dianne	Promotion - DOFM subsidies	296-000-158.000		118.00	1716
11/03/12	Sanchez, Jim	Promotion - DOFM subsidies	296-000-158.000		-	1717

11/02/12	Sandy Ridge Farms	Promotion - DOFM subsidies	296-000-158.000	10.00	1718
11/02/12	Treen, Sue	Promotion - DOFM subsidies	296-000-158.000	7.00	1719
11/02/12	Wesenberg, Bill	Promotion - DOFM subsidies	296-000-158.000	340.00	1720
11/02/12	Wolfrom, Forest	Promotion - DOFM subsidies	296-000-158.000	10.00	1721
11/02/12	Wyrick, Roger	Promotion - DOFM subsidies	296-000-158.000	95.00	1722
11/02/12	Pam Baese	Promotion - DOFM subsidies	296-000-158.000	34.00	1727
11/16/12	Pam Baese	Promotion - DOFM subsidies	296-000-158.000	30.00	1728
11/02/12	Nick Bird	Promotion - DOFM subsidies	296-000-158.100	28.00	1702
11/02/12	Mary Borroum	Promotion - DOFM subsidies	296-000-158.100	4.00	1703
11/02/12	Darling, Shawn	Promotion - DOFM subsidies	296-000-158.100	-	1704
11/02/12	Gibson, Mary	Promotion - DOFM subsidies	296-000-158.100	-	1706
11/02/12	Great Harvest	Promotion - DOFM subsidies	296-000-158.100	-	1707
11/02/12	Roger and Dawn Hall	Promotion - DOFM subsidies	296-000-158.100	80.00	1708
11/02/12	Hang Farms	Promotion - DOFM subsidies	296-000-158.100	66.00	1709
11/02/12	Char Hubbard	Promotion - DOFM subsidies	296-000-158.100		1710
11/02/12	Joe Jelinek	Promotion - DOFM subsidies	296-000-158.100	38.00	1711
11/04/12	Journey Café	Promotion - DOFM subsidies	296-000-158.100	-	1712
11/02/12	Kanthe Farm	Promotion - DOFM subsidies	296-000-158.100	-	1713
11/02/12	Miller, Regina	Promotion - DOFM subsidies	296-000-158.100	2.00	1714
11/02/12	R&B Poultry	Promotion - DOFM subsidies	296-000-158.100	-	1715
11/02/12	Rodgers, Dianne	Promotion - DOFM subsidies	296-000-158.100	-	1716
11/04/12	Sanchez, Jim	Promotion - DOFM subsidies	296-000-158.100	2.00	1717
11/02/12	Sandy Ridge Farms	Promotion - DOFM subsidies	296-000-158.100	-	1718
11/02/12	Treen, Sue	Promotion - DOFM subsidies	296-000-158.100	-	1719
11/02/12	Wesenberg, Bill	Promotion - DOFM subsidies	296-000-158.100	486.00	1720

11/02/12	Wolfrom, Forest	Promotion - DOFM subsidies	296-000-158.100		30.00	1721
11/02/12	Wyrick, Roger	Promotion - DOFM subsidies	296-000-158.100		34.00	1722
11/02/12	Pam Baese	Promotion - DOFM subsidies	296-000-158.100		-	1727
11/02/12	Nick Bird	Promotion - DOFM subsidies	296-000-158.200		80.00	1702
11/02/12	Mary Borroum	Promotion - DOFM subsidies	296-000-158.200		84.00	1703
11/02/12	Darling, Shawn	Promotion - DOFM subsidies	296-000-158.200		40.00	1704
11/02/12	Gibson, Mary	Promotion - DOFM subsidies	296-000-158.200		4.00	1706
11/02/12	Great Harvest	Promotion - DOFM subsidies	296-000-158.200		-	1707
11/02/12	Roger and Dawn Hall	Promotion - DOFM subsidies	296-000-158.200		86.00	1708
11/02/12	Hang Farms	Promotion - DOFM subsidies	296-000-158.200			1709
11/02/12	Char Hubbard	Promotion - DOFM subsidies	296-000-158.200		136.00	1710
11/02/12	Joe Jelinek	Promotion - DOFM subsidies	296-000-158.200		18.00	1711
11/05/12	Journey Café	Promotion - DOFM subsidies	296-000-158.200		-	1712
11/02/12	Kanthe Farm	Promotion - DOFM subsidies	296-000-158.200		-	1713
11/02/12	Miller, Regina	Promotion - DOFM subsidies	296-000-158.200		-	1714
11/02/12	R&B Poultry	Promotion - DOFM subsidies	296-000-158.200		34.00	1715
11/02/12	Rodgers, Dianne	Promotion - DOFM subsidies	296-000-158.200		10.00	1716
11/05/12	Sanchez, Jim	Promotion - DOFM subsidies	296-000-158.200		-	1717
11/02/12	Sandy Ridge Farms	Promotion - DOFM subsidies	296-000-158.200		-	1718
11/02/12	Treen, Sue	Promotion - DOFM subsidies	296-000-158.200		-	1719
11/02/12	Heather Rivard	Organization - Office Supplies	296-295-728.000		8.79	1701
11/02/12	Heather Rivard	Organization - MSM Wages	296-295-999.101		1,384.61	1701
	VOID	VOID	VOID	VOID	VOID	1705
11/02/12	Wesenberg, Bill	Promotion - DOFM subsidies	296-000-158.200		438.00	1720
11/02/12	Wolfrom, Forest	Promotion - DOFM subsidies	296-000-158.200		4.00	1721



11/02/12	Wyrick, Roger	Promotion - DOFM subsidies	296-000-158.200		78.00	1722
11/02/12	City of Owosso	Organization - Office Supplies	296-695-728.000		152.19	1723
11/02/12	Gilbert's True Value	Design - Woodard Place	296-697-974.000-WOODARDPLC		1.50	1724
11/02/12	Sue Treen Second Chance Wood	Promotion - Glow - Santa Suit	296-696-818.000	GLOW	173.92	1725
11/02/12	Wood	Promoiton - Glow - Santa's Village	296-696-818.000	GLOW	600.00	1726
11/02/12	Pam Baese	Promotion - DOFM subsidies	296-000-158.200		-	1727
11/16/12	John Hankerd	Promotion - Glow - Light Show Software	296-696-818.000	GLOW	201.85	1729
11/16/12	Sue Treen	Promotion - Glow - lights for Santa Village	296-696-818.000	GLOW	120.71	1730
11/16/12	Crooked Tree	Design - Woodard Place	296-697-974.000-WOODARDPLC		4,400.00	1731
VOID	VOID	VOID	VOID	VOID	VOID	1732
11/16/12	Kelly's Refuse	Design - Maintenance	296-697-831.000		562.50	1733
11/16/12	Independent Newsgroup	Promotion - DOFM - advertising	296-696-818.000	DOFM	48.00	1734
11/16/12	Heather Rivard	Organization - MSM Wages	296-695-999.101		1,384.61	1735
11/16/12	National Trust for Historic Preservation	Organization - Membership and Dues	296-695-858.000		250.00	1736
11/16/12	Hankerd Sportswear	Promotion - Owossopalooza - Tshirts	296-696-818.000	PALOOZA		1737
VOID	VOID	VOID	VOID	VOID	VOID	1738
VOID	VOID	VOID	VOID	VOID	VOID	1739
11/16/12	City of Owosso	Organization - Supplies	296-695-728.000		29.71	1740
11/16/12	City of Owosso	Electric Repair	296-697-831.000		440.61	1740

11/16/12	City of Owosso	Sidewalk Repair	296-697-831.000	196.40	1740
11/16/12	City of Owosso	Electric Repair	296-697-831.000	317.22	1740
11/16/12	City of Owosso	Installation of Wayfinding signs	296-697-974.000-WAYFINDING	283.24	1740

MOTION BY AUTHORITY MEMBER FREDERICK, SUPPORTED BY AUTHORITY MEMBER GILBERT TO APPROVE THE CHECK REGISTER FOR NOVEMBER 2012 AS PRESENTED.

YEAS ALL. MOTION CARRIED.

## 2. BUDGET REPORT.

The transition to Quickbooks is moving forward and a more condensed budget report will be coming soon.

## 3. FUND 296 OPERATING BUDGET AS OF 12/5/12

It is recommended that each committee look at this document and reconcile it to work being done with work plans in committees.

## 4. FUND 496 OPERATING BUDGET AS OF 12/5/12

Combined with agenda item above.

## 5. TAN APPROVAL

This is a resolution for short term funding until the TIF payment comes in in March. In order to have the cash flow needed for the next four months, it has been recommended by Rick Williams to do a Tax Anticipation Note. This is a temporary loan just to cover that period and has an extremely low interest rate since it will be paid back in such a short period of time.

The bulk of the TIF funds will arrive in March, but there will also be funds released in the Fall as the city collects the funds.

MOTION BY AUTHORITY MEMBER GILBERT, SUPPORTED BY AUTHORITY MEMBER OMER TO SEND A TAX ANTICIPATION NOTE FOR \$45,000.

YEAS ALL. MOTION CARRIED.

## 7. DOWNTOWN MAINTENANCE POLICY – BILL GILBERT

An adjustment was made to the order of the agenda to make sure quorum was present for the resolution.

A meeting was held to lay down what the responsibilities of the City of Owosso and Owosso Main Street are concerning maintenance downtown. A complete overview of the responsibilities can be found in the Board packet.

MOTION BY AUTHORITY MEMBER OMER, SUPPORTED BY AUTHORITY MEMBER GONYOU TO ACCEPT THE PROVIDED LIST AND SEND IT ALONG TO CITY COUNCIL FOR APPROVAL.

YEAS ALL. MOTION CARRIED.

Authority Member Frederick shared updates from the City Council.

- The Master Plan is moving forward.
- River Access is a continuing discussion that is going on.
- Upper story housing is a concern of the council. It is desired that an organic population develop and with this is a need for consideration of parking. Parking will also be in discussion as one business downtown plans to go 24 hours at the turn of the year.
- There is interest in a public unveiling of the wayfinding signs.
- Edge Ministries has offered their help as volunteers.
- Council approved the restoration of the fire truck and would like to incorporate this into the green space by Trust Thermal.

Authority Member Frederick departed at 8:18 am.

#### 8. HIGHLIGHT OF COM. CHAIR WORK PLAN RESPONSIBILITIES

Acton shared that what he is finding the key to making Main Street work is strong leadership by Committee Chairs combined with passionate work plan project managers. Part of the Committee Chair's job is to look at the work plan prepared by the work plan project manager with fresh eyes.

ALL OTHER AGENDA ITEMS WERE TABLED.

PUBLIC / BOARD / STAFF COMMENTS:

None

METTING ADJOURNED AT 8:43 AM.

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Alaina Kraus, Secretary

Minutes of the **December 10, 2012**, regular meeting  
of the **Owosso Historical Commission** held  
at the Gould House, 7:00 p.m.

Members Present: City Treasurer Ronald Tobey, Chairman Michael Erfourth, and members Joni Forster, Shaffer Fox, Paul Heimnick, Don Schneider, Lorraine Weckwert and Gary Wilson

Members Absent: Scott Newman (also note: Karen Stadler, resigned)

Guests Present: none

The meeting was called to order at 7:04 p.m. by Chairman Erfourth.

Motion to adopt proposed agenda with the addition of property inspection update made by Forster, supported by Heimnick and approved.

There were no citizen comments.

Motion by Wilson to accept and place on file the minutes for the November 12, 2012, regular meeting. Supported by Weckwert and carried.

Motion by Forster to accept the November 2012 Treasurer's Report. Support given by Wilson. Approved with dissent by Weckwert.

Members briefly discussed the parameters of the budget and the process to prepare the proposal early next year.

Shaffer Fox arrived at 7:38 p.m..

Chairman Erfourth commented on the discussion progress for a project manager/director for the commission. Nothing has been firmly decided.

Erfourth will coordinate a bylaws review subcommittee meeting between the last week of December.

Wilson left 7:55 p.m..

Motion by Weckwert to request the city pay a contractor to treat, repair, retexture, prime and paint two coats on the interior of the Castle, to be done in January. Second provided by Heimnick. Approved. It was noted that a contractor had provided a bid for the work to be done for \$3,000.

Members again discussed the potential of carpet removal at the Castle.

A mailing from MDOT soliciting castle brochures for the Welcome Centers for 2013 was reviewed. Tobey will advise members of the source of the last brochures and cost.

Motion by Forster to adjourn at 8.29 p.m. Supported by Heimnick.

Respectfully submitted,  
Ronald J. Tobey  
Secretary/Treasurer

MINUTES FOR THE REGULAR MEETING  
**OWOSSO HISTORIC DISTRICT COMMISSION**  
DECEMBER 19, 2012 at 6:00 p.m.  
COUNCIL CHAMBERS / CITY HALL

**MEETING WAS CALLED TO ORDER** at 6:00 p.m. by Chairperson Newman.

**ROLL CALL** was taken by Recording Secretary Marty Stinson

**MEMBERS PRESENT:** Chairperson Scott Newman; Vice Chairperson Vincent Gonyou; Secretary Phil Hathaway; Commissioners Lance Omer; Matthew Van Epps (arrived 6:01 pm) and Gary Wilson (arrived 6:07 pm).

**MEMBERS ABSENT:** Commissioner James Eaton (excused).

**OTHERS PRESENT:** Sarah Warren-Riley, Housing Program Manager; Adam Zettel, Assistant City Manager and Community Development Director; Mr. Tom Campbell, The Argus-Press; Mr. Jerry Roberts, C & L Ward Brothers; Chief Michael Compeau, Director of Public Safety; and Mark Agnew, Agnew Signs.

**AGENDA APPROVAL: Motion by Commissioner Hathaway, supported by Commissioner Omer to approve the agenda for December 19, 2012 as presented.**

**Yeas: All. Motion was passed.**

6:01 pm Commissioner Matthew Van Epps arrived.

**MINUTES APPROVAL: Motion by Commissioner Hathaway, supported by Commissioner Van Epps to approve the minutes for the meeting of November 14, 2012 with the addition of Chairman Newman's comment that the door to the east side of the Owosso City Hall should be centered.**

**Yeas: All. Motion was passed.**

**COMMUNICATIONS:**

- 1) Staff Memorandum
- 2) Meeting minutes of November 14, 2012

**PUBLIC COMMENTS:** None.

**PUBLIC HEARINGS:** None.

**ITEMS OF BUSINESS:**

**1) 201 E. Exchange – Window Replacement Application**

Tom Campbell, The Argus-Press, stated that the building at 201 E. Exchange had old windows on the second floor with some of the glass becoming loose. He wanted them to look as much as possible as the windows on the first floor. The upstairs is used as storage or is empty with no apartments. The plumbing has been removed except for the sprinkler system.

Mr. Jerry Roberts, C & L Ward Brothers, presented for single pane Andersen windows made of Fibrex, a composite of wood fiber and resin colored to match the lower windows – dark bronze. The one piece window will be a cost savings. It is a great product with long-term application.

Secretary Phil Hathaway stated that the commission is charged to maintain the Secretary of Standards principles unless economic hardship exists.

6:07 p.m. Commissioner Gary Wilson arrived.

Chairman Newman is sympathetic about having the second floor windows match the first floor. He is sorry to see the second floor windows replaced with the bronze colored windows. Discussion followed regarding window styles; double hung vs. single pane; window frame color; construction materials; and mullions.

Mr. Campbell noted that they are not economically challenged, but prefer not to spend too much money on the windows. If the cost of the windows is excessive, he may be forced to just board up the windows.

Mr. Zettel commented that the building use is industrial in nature; and there is no functional purpose of the second floor. Discussion continued about removing the building from the historic district. Mr. Zettel noted it was a cumbersome, lengthy process. About 120 – 180 days.

Commissioner Wilson noted that the commission is only concerned with the outside architectural appearance. The use isn't really a concern. If using the Fibrex, they are moving away from the standards of using natural materials such as metal versus manufactured material such as resin and wood fibers.

Commissioner Van Epps stated the commission requires a mullion to divide the single pane proposed window.

Mr. Roberts commented that aluminum is very expensive right now. No one is using aluminum siding right now because it is twice as expensive as vinyl siding. Discussion continued about possibly only doing south and west wall windows with mullions; and the other two walls which do not face a street with the original single pane windows with the Fibrex material.

**Motion by Commissioner Hathaway, supported by Commissioner Omer to table this request until further information is available about the windows meeting the Secretary of the Interiors Standards. Yeas: All. Motion was passed.**

### **3) 202 S. Water Street – Changeable Copy Sign.**

Chief Compeau reviewed the history of this request which started when Mark Agnew offered to donate a new sign for the Public Safety Building. Council resolved to accept the donation. Discussion continued about the sign not having an interior lit white sign with white plastic for changeable lettering. Commissioner Hathaway had concerns about glare during inclement weather. The sign could be lit with flood lights.

**Motion by Commissioner Hathaway, supported by Commissioner Omer finding that the sign replacement proposed for 202 S. Water Street does not meet the Secretary of the Interiors Standards and is inappropriate to the historic district does approve a Notice to Proceed. The colored top portion of the sign may be internally lit, and the bottom portion with changeable lettering on the white plastic may not be internally lit, but lit with flood lights instead. Yeas: All. Motion was passed.**

#### **Board Comments:**

Commissioner Hathaway commented on a meeting he attended today about the downtown buildings in Byron that were burned a few months ago.

#### **ADJOURNMENT:**

Chairman Newman adjourned the meeting at 7:26 p.m.

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Phil Hathaway, Secretary