



Notice City Commission Study Session

7:00 PM

Monday, January 13, 2014

Governmental Center, Commission Chambers, 400 Boardman Avenue

Traverse City, MI 49684

Posted and Published: 01-10-14

The meeting informational packet is available for public inspection at the Traverse Area District Library, Law Enforcement Center, City Manager's Office, and City Clerk's Office.

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At the request of City Manager Jered Ottenwess, City Clerk Benjamin Marentette has called this Study Session.

City Commission:

c/o Benjamin C. Marentette, CMC, City Clerk

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Web: www.traversecitymi.gov

400 Boardman Avenue

Traverse City, MI 49684

The mission of the Traverse City City Commission is to guide the preservation and development of the City's infrastructure, services, and planning based on extensive participation by its citizens coupled with the expertise of the city's staff. The Commission will both lead and serve Traverse City in developing a vision for sustainability and the future that is rooted in the hopes and input of its citizens and organizations, as well as cooperation from surrounding units of government.

Welcome to the Traverse City Study Session!

Any interested person or group may address the City Commission on any agenda item when recognized by the presiding officer or upon request of any commissioner. Also, any interested person or group may address the City Commission on any matter of City concern not on the Agenda during the agenda item designated Public comment. The comment of any member of the public or any special interest group may be limited in time. Such limitation shall not be less than five minutes unless otherwise explained by the presiding officer, subject to appeal by the Commission.

Agenda

Pledge of Allegiance

Roll Call

1. Presentation of the annual audit for Fiscal Year 2012-2013. (Jered Ottenwess, William Twietmeyer)
2. Discussion regarding a possible ballot proposal for voter approval to use Brown Bridge Trust Fund dollars for parks purposes. (Jered Ottenwess, Lauren Tribble-Laucht)
3. Discussion regarding membrane technology upgrade at the Wastewater Treatment Plant. (Jered Ottenwess)
4. Announcements from the City Clerk. (Benjamin Marentette)
5. Public comment.
6. Adjournment.



The City of Traverse City

Communication to the City Commission

FOR THE CITY COMMISSION MEETING OF JANUARY 13, 2014

DATE: JANUARY 10, 2014

FROM: ^{JD} JERED OTTENWESS, CITY MANAGER

SUBJECT: JANUARY 13 STUDY SESSION

This memo covers the items on Monday evening's agenda.

1. Discussion regarding the annual audit for Fiscal Year 2012-2013.

Representatives of Abraham and Gaffney, the professional audit firm that performed the annual audit for Fiscal Year 2012-2013, will be in attendance Monday evening to present the audit and answer any questions.

Formal acceptance of the audit by the City Commission is scheduled for the January 21 Regular Meeting.

2. Discussion regarding a possible ballot proposal for voter approval to use Brown Bridge Trust Fund dollars for parks purposes.

City Charter Section 129 establishes a Brown Bridge Trust Fund (BBTF) and specifies that all money derived from the rights to explore for oil, gas and/or minerals on the Brown Bridge Property, along with royalties, must be placed in the BBTF. Section 129 also requires the interest earnings to be transferred to the city's General Fund on an annual basis. The principal balance of the BBTF cannot be used except by a vote of the people.

Last year, the City Commission considered, but ultimately withdrew, asking the voters for authorization to use the principal balance over the amount of \$12.5 million for parks purposes, excluding operational expenses, for a period of five years. "Parks purposes" was defined in the draft proposal as "park capital improvements, including neighborhood parks, parkland and park equipment acquisition, forestry, pathways, trails and boardwalks."

City Treasurer/Finance Director William Twietmeyer has indicated the principal balance in the BBTF is \$13 million. The royalty income, which is deposited into the BBTF and added to the principal balance, is approximately \$300,000 annually. Lastly, the interest earnings, which are transferred into the city's General Fund are approximately \$250,000. This means the BBTF would provide an immediate \$500,000 (\$13 million principal balance less the previously-considered \$12.5 million cap), with \$300,000/year for five years derived from royalty income totaling approximately \$1.5 million over five years.

Last year, advisory groups were identified to provide feedback – and that feedback is summarized below:

1. Parks and Recreation Commission – formed an ad hoc committee in September and is meeting with neighborhoods to discuss capital improvement projects for parks; they have also identified stakeholder groups to obtain input from.
2. City Planning Commission – in July 2013, the Planning Commission indicated that “there needed to be a better process to prioritize projects before it is ready to be on the ballot” and did not make a recommendation.
3. The Brown Bridge Advisory Committee – provided their 2013-2018 Capital Improvement Projects list for the Brown Bridge Quiet Area.
4. Neighborhood Associations –
 - Central Neighborhood submitted a recommendation summary for Hannah Park
 - Orchard Heights Neighborhood submitted a description of their plan for Clancy Park and background work to date
 - Old Town Neighborhood submitted a recommendation to develop plans for a new park, including at several specific locations

In terms of a timeline, City Clerk Benjamin Marentette has indicated that in order to place a Charter amendment proposal on the *August ballot*, the wording must be adopted by the Commission (and approved by the Michigan Attorney General and Michigan Governor) by May 13, 2014, and for the *November ballot*, by August 12, 2014. Because the Attorney General and Governor may require changes, the City Clerk recommends the language be adopted at least one month before the aforementioned deadlines.

Questions for the City Commission: Does the Commission wish to explore the

possibility of submitting a proposal to the city electorate to use BBTF dollars for parks purposes? If so, which ballot should be targeted, November 2014? What process would the Commission like to use in developing a proposal and identifying specific projects, for example, forming a City Commission Ad Hoc Committee?

3. *Discussion regarding membrane technology upgrade at the Wastewater Treatment Plant.*

Attached is a memo from City Treasurer/Finance Director William Twietmeyer regarding membrane replacement at the Wastewater Treatment Plant, which identifies three options for replacement as described by representatives from CH2MHill (WWTP Operator). CH2MHill's recommendation is to purchase one new train of 500D modules that will increase the membrane surface area and help address the gram positive bacteria issue as well as create more flexibility moving forward in terms of a replacement schedule.

Considering the potential cost savings of purchasing 500Cs instead of 500Ds (\$50,000 if 50/50 cost sharing), the benefit of purchasing the 500Ds is compelling.

As explained by Mr. Twietmeyer, purchasing new modules will likely result in a rate increase of \$3.00 per 600 cubic feet of sewer usage.

The County Board of Public Works met on Thursday, January 9th and did not reach a conclusion or take action, although their Finance Committee has recommended purchasing one new train of 500D modules. The County BPW still has outstanding questions related to the tax exempt status of the purchase and would like the City Commission to make a decision/give direction before they move forward with their official action.

My recommendation is follow CH2MHill's recommendation and purchase one new train of 500D modules. I ask that the Commission resolve any outstanding questions you may have and give direction so that staff can schedule a purchase and service order for action.

e-copy: Dave Green, Director of Public Services
 William Twietmeyer, City Treasurer/Finance Director

Memorandum

The City of Traverse City



To: Jered Ottenwess, City Manager
From: William E. Twietmeyer, City Treasurer/Finance Director *W.E.T.*
Subject: Wastewater Treatment Plant Membrane Replacement
Date: January 7, 2014

The City and the participating townships in the wastewater treatment plant jointly heard a presentation regarding the membrane replacement that is being recommended for the wastewater treatment plant. It is my understanding that the County Board of Public Works is leaning toward the recommendation of purchasing a GE 500D module with new cassette frames. The estimated cost would be \$825,000.00. I have recapped below the three options that were forwarded from Casey Rose with OMI.

<u>Option</u>	<u>Train 1</u>	<u>Trains 2-8 (each)</u>	<u>Total</u>
New 500C modules in Existing cassette frames	\$650K	\$630K	\$5.1M
New 500C modules and New cassette frames	\$725K	\$705K	\$5.7M
New 500D modules and New cassette frames	\$825K	\$805K	\$6.5M

The first option was not recommended because it would not accomplish the goal of increasing the membrane surface area for the effluent to flow through. The second option was not recommended because the 500C modules are an older product and GE will soon cease production of both that series of modules and cassettes. The purchase of the new 500D module and cassettes begins the process for allowing the reuse of old 500C modules in existing cassette frames until all the old 500C modules and cassettes are rotated out and replaced with the new 500D modules and cassettes. Therefore, the rotation would occur on an as failed basis as opposed to scheduled replacement.

In order to calculate the City's share of the cost, it must be determined whether this is a capital cost or a maintenance cost. The general rule of thumb is that if a purchase is made to maintain an asset at its original condition it is considered an operational expense as opposed to a capital expense. It should be noted that the 2002 bond issue and subsequent construction of the wastewater treatment plant upgrade was recorded as a lump sum value which did not distinguish or separate the cost for equipment or machinery. Therefore, the purchase of a membrane does not lengthen the useful life of the wastewater treatment plant but only maintains its useful life. Furthermore, Scott

Levesque indicated in his email that the purchase of a membrane does not increase the flow capacity of the membrane process but rather it provides the flexibility in providing additional membrane surface area in dealing with the gram positive bacteria. As a result, I would conclude that this purchase is an operational expense and would be shared by all based on their respective flows to the treatment plant. At present the City's flow is about 50%.

Therefore, the City's portion of the cost would be about \$412,500 for a new membrane. Our current rate structure for sewer usage is \$34.00 per the first 600 of cubic feet and \$40.00 per thousand for each additional thousand cubic feet of usage. Our rate structure would need to be increased to a base rate of \$37.00 per the first 600 cubic feet and \$43.50 per thousand for each additional thousand cubic feet of usage in order to provide funds for our share of this purchase.

There are three items that could change these calculations. First, if the desire is to purchase all eight modules at once, we would need to look at issuing bonds along with the other townships. There would be bond issuance costs which would need to be considered. Second, if it is somehow determined to be a capital expense, our share of the cost would be greater. Finally, if there are projects or other maintenance expenses at the plant that can be delayed, we may be able to afford this purchase with less of a rate increase. We perform an analysis of the sewer rates every year as part of the budget process. I would recommend changing the rates at the beginning of the new fiscal year after we have had the opportunity to review operational costs and various capital costs planned for the new fiscal year.