

City Council

Special Meeting Minutes

Friday, May 27, 2016
8:00 a.m., Council Chambers



1. Call to Order by Mayor Burr at 8:00 a.m.

2. Roll Call

Present: Clark Gruber, Vickiy Kozlik Wall, Steve Schlack, Scott Smith, Bob Burr
Absent: Jeff Arnold, Andy Klavins

Moved by Gruber, seconded by Smith to excuse Councilmembers Arnold and Klavins due to personal reasons.

Voted Yes: All. Motion carried.

3. Council will be asked to consider Resolution 2016-32, a resolution setting a per parcel fee schedule for Short-Term Rental Registrations and the application fee for increased building capacity requests.

Background Information:

The City Council will be asked to approve Resolution 2016-32, a resolution approving the adoption of a fee schedule for the short-term rental registration fee and the application fee for increased building capacity requests.

The city's staff is currently implementing the short-term rental registration component of the recently adopted short-term rental ordinance. Currently the rental registration submission has no approved fee schedule. Staff recommends that the City Council consider approval of a fee schedule, which would set the rental registration fee at \$20.00 per parcel.

For reference, the city's staff contacted a variety of lakefront communities, and requested their fee schedules for short-term rental registrations. Below is a summary of the various fee schedules:

City of St. Joseph:	\$10.00
City of Saugatuck:	\$45.00
City of Grand Haven:	\$35.00

The \$20.00 per parcel fee schedule, as proposed, appears to be a reasonable fee and should sufficiently cover the additional labor, materials, and software costs for the registration portion of the ordinance implementation.

Additionally, the City Council should consider approval of the application fee for increased building capacity requests. With the adoption of the short-term rental ordinance, the City Council approved language which allows property owners to seek additional capacity for their property. The ordinance language notes the following:

An owner or local agent may apply for permission to have the maximum occupancy of a dwelling unit on mixed use property increased above the maximum of 16 total occupants established in Section 10-243(d)(2), to the lesser of: (i) 24 total occupants; or (ii) 2 occupants per bedroom plus 2 per finished floor. Applications for increase shall be submitted to and decided by a committee comprised of the City Manager or his or her designee, the City's Director of Public Works or his or her designee, and the Police Chief or his or her designee. Applications shall be submitted on a standard form provided by the City, and shall be accompanied by any applicable fee established by resolution of the City Council. The committee shall decide an application for increase in a public meeting with advance notice of that meeting given to owners of real property within 300 feet of the boundaries of the property for which an application for increase has been filed. The committee shall grant the application only upon determining that subsections (d) (3) (A) and (d) (3B) are satisfied (e.g., automatic sprinkling system, fire alarm system, fire-rated corridors, etc.)

The city's staff is currently finalizing the creation of the capacity increase application forms. Prior to implementing the capacity increase application process, the City Council will need to consider approval of a fee schedule. Staff recommends that the City Council consider approval of a fee schedule, which would set the capacity increase fee at \$500.00 per parcel. That per parcel fee will offset the contracted cost of having the Building Inspector and contracted engineer review the plans to ensure compliance with the required safety elements. Further, the \$500.00 per parcel fee will cover the costs associated with public notices, mailings, and site plan submittals to the city's Planning Commission.

The \$500.00 per parcel fee schedule, as proposed, appears to be a reasonable fee and should sufficiently cover the additional labor, materials, and software costs for the capacity increase application process.

City Manager Brian Dissette gave a short summary on this item.

Moved by Smith, seconded by Schlack, to approve Resolution 2016-32, a resolution setting a per parcel fee schedule for Short-Term Rental Registrations and the application fee for increased building capacity requests.

Voted Yes: All. Motion carried.

- 4. Council will be asked to consider Resolution 2016-33, a resolution authorizing cancellation of the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven.**

Background Information:

The City of South Haven is currently party to an Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan

Power Company (the Agreement). The City entered into this Agreement effective July 1, 2006. Amendments to this agreement were approved by resolution of City Council on January 19, 2015.

Under the terms of the Agreement, Indiana Michigan Power Company will continue to deliver full requirements electric service to the City of South Haven until May 31, 2026, unless the City elects to cancel the Agreement prior to the end of the delivery period. Each year, the City has the opportunity to provide notice of contract termination prior to June 1st. If such notice is given, the contract will terminate on May 31, after four additional years of service.

The City of South Haven participates as a member of the Indiana and Michigan Municipal Distributor's Association (IMMDA). This organization consist of 5 Cities and Villages in Michigan and 6 Cities and Towns in Indiana. IMMDA was actively involved in negotiating the current Agreement with Indiana Michigan Power Company and 10 of the 11 members have an Agreement identical to South Haven's.

Over the past several years, IMMDA members have expressed concerns over the price being paid to Indiana Michigan Power Company under the Agreement. The terms of the Agreement require each municipality to pay for a proportional share of Indiana Michigan Power Company's total expenses, based on metered usage. In addition, Indiana Michigan Power Company is permitted to collect a guaranteed rate of return. These calculations are performed using a form developed by the Federal Energy Regulatory Commission, FERC Form 1. Over the years, the amount being paid per MWh has gradually increased. In reviewing records back to 2010, South Haven paid just \$52.47 per MWh in 2012 but by 2015 the cost had increased to \$62.71. (These amounts do not include transmission costs paid to PJM and Indiana Michigan Power Company.) IMMDA members have also expressed their displeasure with Indiana Michigan's ability to forecast future costs and the cost variability that occurs with the annual true-up.

As a result, IMMDA's consultant, GDS Associates, Inc., issued a Request for Proposals for Load Following and Fixed Load Shape Indicative Pricing with service beginning in 2020. This RFP was released to energy suppliers that are connected to the PJM Regional Transmission Organization. In order to purchase energy in the PJM market, a Load Serving Entity must purchase three products: Energy (\$/MWh), Capacity (\$/MW-day), and Transmission. Transmission prices are set by PJM and it is anticipated that these charges would not change significantly with an alternate energy supplier. In addition, the proposal issued by IMMDA only requested energy pricing. Capacity pricing for 2020 and beyond is not yet available. GDS utilized an estimate of current market rates for capacity and converted price into \$/MWh for comparison with the current rates being paid to Indiana Michigan Power Company. A total of nine companies provided pricing for fixed load shape products and seven companies provided pricing for load following products. The results of the RFP indicate that IMMDA members should be able to purchase Energy and Capacity in the range of \$45-\$50 per MWh from various companies. Even AEP, the parent company of Indiana Michigan Power Company provided a quote of \$50.13 per MWh.

Based on the results of this RFP, nine of the IMMDA members, including the two largest members representing over 50% of the total sales, have all expressed an interest in providing notice of contract termination this year. One member actually provided notice last year for 2019 termination. Due to a slightly different contract, Dowagiac is not able to

provide notice until 2021. IMMDA has requested South Haven to consider providing notice along with the other nine members.

On May 16, City staff attended the annual true-up meeting with Indiana Michigan Power Company. The President of the company was at that meeting and was aware of IMMDA's RFP. Indiana Michigan did admit that the energy market is currently soft, due primarily to low natural gas prices. Indiana Michigan does not currently have any natural gas combined cycle generation. Indiana Michigan highlighted their efforts to control costs over the years, but did admit that they are not able to compete with the market at this point in time.

IMMDA intends to work closely with GDS Associates, Inc. over the next 6 months to put in place agreements to purchase Load Following agreements with an alternative energy supplier. IMMDA believes that Indiana Michigan or their parent company, American Electric Power Service Corporation will be interested in continuing to serve the members. In addition, IMMDA believes that ten municipal utilities negotiating together will have increased leverage to obtain the best possible pricing for all members. Although terms of such an agreement are not yet known, GDS Associates, Inc. has indicated that it should be feasible to negotiate a 5-year contract at a rate less than we are paying currently. If market conditions do not fluctuate significantly between today and the date that the deal is finalized, then it is anticipated that we would be able to obtain a rate for energy and capacity in the range of \$45-\$50 per MWh. This would decrease our purchased power costs by approximately 20%.

The Board of Public Utilities (BPU) reviewed giving notice of cancellation at their May 23, 2016 regular meeting. After discussion, the Board voted unanimously to recommend that City Council consider Resolution 2016-33.

City Manager Brian Dissette introduced this item. BPU Chairman Bob Stickland spoke on the Board's rationale for their decision to recommend cancellation of the contract. Finance Director Wendy Hochstetler and City Engineer Larry Halberstadt were available for questions by Council.

Moved by Gruber, seconded by Kozlik Wall, to approve Resolution 2016-33, a resolution authorizing cancellation of the Amended and Restated Cost-Based Formula Rate Agreement for Full Requirements Electric Service by and between Indiana Michigan Power Company and the City of South Haven.

Voted Yes: All. Motion carried.

5. Interested Citizens in the Audience Will Be Heard on Items Not on the Agenda

None.

6. City Manager's Comments

Have a happy holiday, there are a number of events this weekend, and the city's construction projects are wrapped up for the holiday weekend.

7. Mayor and Councilperson's Comments

Smith: Happy Memorial Day

Gruber: Have a safe Memorial Day.

Schlack: No comment.

Kozlik Wall: No comment.

Burr: No comment

8. Adjourn

Moved by Gruber to adjourn. Seconded by Schlack.

Voted Yes: All. Motion carried. Meeting adjourned at 8:26 a.m.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Kate Hosier". The signature is written in a cursive, flowing style.

Kate Hosier
Assistant City Manager

Approved by City Council: DRAFT