

**REGULAR MEETING OF THE COUNCIL OF THE CITY OF NOVI
MONDAY, JULY 6, 2009 AT 7 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45275 W. TEN MILE ROAD**

Mayor Landry called the meeting to order at 7:00 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Landry, Mayor Pro Tem Gatt, Council Members Burke, Crawford, Margolis, Mutch, Staudt

ALSO PRESENT: Clay Pearson, City Manager
Pamela Antil, Assistant City Manager
Tom Schultz, City Attorney

APPROVAL OF AGENDA

**CM-09-07-091 Moved by Margolis, seconded by Gatt; CARRIED UNANIMOUSLY:
To approve the agenda as presented.**

Voice Vote

PUBLIC HEARING

1. Reprogramming Community Development Block Grant Program Income Funds for 2009

There were no comments from the public and the Public Hearing was closed.

PRESENTATIONS

1. Proclamation in Recognition of July as National Parks and Recreation Month

Mayor Landry presented Mr. Auler, Director of Parks, Recreation and Cultural Services, a proclamation in honor of National Parks and Recreation Month.

Mr. Auler thanked Mayor Landry and Council for the proclamation on behalf of staff and Park Commission. He encouraged citizens of Novi to participate in the many programs they offered.

2. Health Insurance & Employee Benefit Consultant Report on Self-Insurance Feasibility – Gallagher/Rains

Tia Gronlund-Fox, Human Resources Director, introduced Kelly Demiryman of Gallagher/Rains. She advised Council that Ms. Demiryman had a wealth of experience and that Gallagher Benefit Services was one of the largest benefit consultants in the United States. Ms. Demiryman had 24 years of experience and the last 16 years as a senior consultant at two national employee benefit consultant firms. Ms. Demiryman's vast experience included manufacturing, public sector including government and school districts, retail, social services and real estate. Ms. Gronlund-Fox said Ms. Demiryman had worked with a client to develop one of the first health savings account programs in the country. She said Ms. Demiryman, for the City of Novi, had assisted her and the Human Resources staff with all of the health and welfare programs.

Ms. Demiryman said Council had, previous to this presentation, received a presentation that discussed the concept of self funding compared to traditional insurance, which was how the current Blue Cross Blue Shield was funded. She said they went back and took a second look at some cost considerations and that was what the presentation tonight was intended to review.

Ms. Demiryman said they had initially looked at a self funded program, which included Stop Loss insurance coverage, at the same level that the City's current Blue Cross Blue Shield plan had. She said they didn't find any compelling financial reason to move forward with the self funded program as it didn't appear to have a ton of savings potential for the City. She said they looked at the claim experience over the last couple of years for the employees and retirees in the BC/BS plan and refigured that claim experience using a lower specific insurance pooling point. She said pooling referred to large claims that went above a certain dollar level. When claims went over that dollar level the excess amount was charged off to the BC/BS underwriting pool and that experience was not considered chargeable to the City of Novi. Ms. Demiryman said currently the City had a \$25,000 specific pooling level and after looking at what happened to the claim experience at lower pooling points, and that was when they started seeing potential for savings emerge.

Ms. Demiryman said, on page 4, there were two slides that looked very similar and the first one was a snapshot of BC/BS projections of the City's claims and administrative costs under a self funded plan looking at three different specific deductible levels. She said the \$10,000, \$15,000 and \$20,000 specifics refer to the point that which excess claims would not be charged against the City of Novi's claim experience but would be written off to the BC/BS overall underwriting experience pool. She said Council could see in the scenarios the administrative fee that BC/BS would charge the City of Novi to administer the plan was the same; so regardless of what specific deductible level chosen, that cost was fixed. Ms. Demiryman said the premium amount charged to the City of Novi for that specific deductible or Stop Loss insurance varied, as the lower the risk the City assumed, the lower the deductible that the City assumed, the higher the premium charge was from BC/BS. She said the more risk the City assumed the lower the premium rate that BC/BS charged.

Ms. Demiryman said next was the BC/BS projected claim cost, which was their projection of what Novi's chargeable claim cost would be based on past claim history. So, under those various specific deductible amounts, they could see where BC/BS projected where the paid claims would be in the upcoming twelve month period. She said adding all those things up, the administrative costs, Stop Loss insurance premiums, this was where BC projected the City's costs would be under a self funded program under these three specific deductible levels. She said next was the maximum claim cost based on aggregate insurance. She said this was another level of insurance protection that just said there was a cap on individual claims; this was a cap on overall claims, claims in the aggregate. If the City had a lot of claims that didn't quite fit that specific cap, but they all got added together and they hit the aggregate cap this was the worst case scenario from a claim perspective and the worst the claim exposure could be for a given year.

Ms. Demiryman said all of the numbers reference back to an annual paid premium of \$1,239,000. She said this was the projected annual premium that the City currently paid for

the insured BC/BS plan. She said when compared against the numbers highlighted in blue, there was not a compelling financial reason to switch funding. However, looking at the next page, at the top section there was the fixed administrative cost that did not change and the Stop Loss premium cost did not change. She said they looked at Novi's 2008 actual paid claims, and said what those claims would look like if they had a \$10,000, \$15,000 or \$20,000 specific deductible. She said the current specific deductible was \$25,000 so claims above that were written off to the BC underwriting pool, and claims under \$25,000 were directly chargeable to the City of Novi's claim experience. She said if they re-factored those claims, to find out what would have happened if they were capped out at \$10,000, \$15,000 or \$20,000, it would be a different story. She asked Council to look at the line just under the green line and they would see the recalculated claims cost, which were the chargeable claims cost that would have been charged to the City of Novi in 2008, if they had those different Stop Loss pooling points in effect. She said for purposes of their projection they took the 2008 numbers, gave them a conservative trend increase of 12% to see what they would look like in 2009 and those were the numbers where it said "2008 actual claims cost plus 12% trend". She said when they added administrative cost, Stop Loss premiums and those clean dollars, now their line in blue was favorable and attractive relative to that \$1,239,000 in annual premium Novi was currently paying.

Ms. Demiryran asked Council to look at the next three pages which were the same information but just looking at the \$10,000, \$15,000 and \$20,000 specifics. She said they broke down Novi's claims by dollar range. In each one of the dollar ranges they had the total number of employees that had claims within that dollar range. In 2008 there were 63 employees and retirees who had claims from zero to \$4,999. So the majority of employees and retirees had claims under \$5,000. Of those 63 people, \$20,000 was spent for hospital claims, \$31,000 for professional claims, etc. She said chargeable medical claims at the \$25,000 specific; those claims were charged against the City of Novi's claim experience. She said under the current Stop Loss the City had at the \$25,000 specific, which only considered medical claims. The Stop Loss they were proposing, the \$10,000 limit, would include both medical and prescription claims going against that \$10,000 Stop Loss number. She said doing this eliminated Novi's exposure to a great extent as chargeable claims in 2008 were \$832,000 to the City of Novi and with the new Stop Loss limit they were proposing with medical and prescription claims would have been \$512,000 in 2008. She said there would be an annual saving in chargeable claims of approximately \$300,000 but because they were taking the lower limit there would be a higher insurance premium charge for that shift of risk to BC. She said the additional premium they would pay to have that lower specific deductible was \$172,000 annually and netting to an estimated savings of \$147,000. She said what they didn't know going forward was whether this would repeat. She said looking back on the 2006 thru 2007 claims there seemed to be a similar pattern in that the majority of the employees and retirees in the BC plan had plans that fell under \$5,000 per year and the claims above that were subject to that specific pooling limit. She said when into 2009, the Stop Loss pricing from BC might change; BC was not able to give them firm pricing for 2010 yet but should be able to get more firm pricing from them for the next year within the next six weeks or so. If that pricing held consistent with the pricing received this year, this might be something they might want to consider going into 2010.

Ms. Demiryran said the last couple of pages of the report showed a comparison of elements of plan cost. She said when they thought about traditionally funded insurance plans like Novi had now versus self funded plans where there might be plan or cost savings; in this exhibit the first

bar looked at the projected 2009 insured premium costs, which was the money paid to BC/BS broken down into segments. She said the blue bar at the bottom of the page represented the portion of the premium dollar that went to pay BC/BS administrative charges, the red section was the amount of premium that purchased that Stop Loss protection and the green section went to fund claims as they were incurred.

Ms. Demiryman said in a self funded program the administrative fee portion of the expense shrunk down and the Stop Loss portion increased because of going from a high deductible to a lower deductible so the premium paid for that increased. The green bar, which was the plan exposure against chargeable claims, went down. The top section was an estimate and represented a reserve for incurred but not reported claims. This was a reserve that the City would book-keep while they had a self funded plan. She said it was not a reserve that necessarily needed to be funded but was a reserve to pay for future claims in the event that they ever terminated their program with BC/BS they would need a pool of money to pay for claims incurred prior to terminating with BC/BS but weren't processed until after the termination. She said it was a cash savings because it didn't have to be paid out in the current year but it was a liability they needed to recognize for the future. She said in the current plan it was already built into the paid claims figure.

Ms. Demiryman said the last page graphic showed what the current BC/BS fully insured projected premium was for 2009, \$1,239,517 compared against first year projected self funding expenses, using the current pricing from BC/BS, administrative fees, Stop Loss premiums, claim expense and access fees, which was a fee to access the BC/BS network of providers and all the discounts they negotiated with those providers. She said the total cost projecting at \$1,154,000 so if every thing came out the way it could be, then it was about an \$85,000 annual savings.

Ms. Demiryman commented two key things that would differ under this kind of program versus what the City had now were in the insured program once a year they sat down with BC/BS and hammered out renewal premium rates. She said they discussed what the benefits were in the following year and how much BC/BS would charge the City to offer those benefits. She said they would all agree on a price and each month the City of Novi would pay a premium bill and the amount didn't fluctuate very much from month to month assuming the enrollment in the plan stayed relatively constant. She said under a self funded plan the City was funding the cost of their own and retiree claims up to those predetermined limits, but there would be some fluctuation because claims didn't happen at a uniform rate during the year. Ms. Demiryman noted that now they were paying their premium at a uniform rate but claims didn't happen that way. So, under the self funded model, depending on which way they went with BC, they would have either monthly or quarterly reconciliations of actual claim expenses. She said they would not have a fixed amount they could count on every month throughout the year. It would either go up or down quarter by quarter or month by month depending on which method they chose to go with with BC/BS. Ms. Demiryman said there would be cash flow fluctuation and some limits around that based on the overall exposure of the plan because they would have those levels of Stop Loss premium protection.

Member Margolis said Ms. Demiryman talked about this being a projection of 2008 actual costs. She asked what the history of those claims was for previous years. Ms. Demiryman said in 2008, on page 6, 7 & 8, breaking down the same sort of information for 2006 and 2007 the

history was very similar year over year, in that the majority of the employees and retirees for each of those years fell into the \$0 to \$4,999 range. She said there were a varying number of people above that who fell into one of the other claim ranges. She thought in 2008 there were four or five claims that exceeded the \$25,000 mark, in 2007 it was three or four and in 2006 it was only two or three. Again, the majority of the claim experience happened in the first tier at the \$0 to \$4,999 range and that had been consistent over three years. She said when BC/BS was ready to release 2010 pricing they would like to take a look at how the 2009 year to date had run to see if it was also tracking with the 2006, 2007 and 2008 claim experience. Member Margolis asked for copies of the numbers for 2006 and 2007 and Ms. Demiryman said she would provide them to Council, and added what they didn't have for 2006 and 2007 was a comparison of what the actual Stop Loss premium would have been in those years because they weren't discussing self funding then. Therefore, she couldn't tell Council what the additional Stop Loss premium cost would have been to come up with the net savings, but she could tell them what the difference in chargeable claims would have been. Member Margolis said regarding the two charts on pages 4 and 5, Ms. Demiryman had said one chart was a BC/BS projected claims cost and the other was Ms. Demiryman's calculation based on the 2008 claims. She asked what they used. Ms. Demiryman thought the reason why there was such a discrepancy in their claim projection and what she projected the claims to be, based on 2008 experiences, was they were looking at chargeable claims for 2008 based on the City having a \$25,000 specific deductible level. So given that, she would have come up with a very similar number because they weren't refactoring it based on lowering that exposure point and including prescription drugs. Member Margolis said the decision didn't need to be made tonight but would be in the future when Council received the rates from BC/BS for next year. She said the risk of this was if they had a really awful year, the City could be liable up to the \$1.4 million mark. Ms. Demiryman said it would be a really terrible year, which they had not seen the City have yet. Member Margolis said they needed to think about this in terms of a long term plan because chances were even if next year was a really bad year, the following several years would not be. She said the decision was whether Council wanted to take the risk that seemed far out based on the chance that they could actually have a great deal of savings. Ms. Demiryman said what they had to factor in was if they had that terrible claim year, they would have a year where the expense would be higher than they had predicted. However, if they stayed in a traditional insurance program and had that terrible year, the premium rates the next year would reflect that terrible year. So one way or another they would pay for the cost of their claims. Member Margolis said she assumed that the smaller the group they had the more variation from year to year they might see. Ms. Demiryman agreed and said larger groups tended to be more predictable in their claim experience and they could predict, with much more certainty, what sort of claim dollars they might see. She said for the smaller groups to sort of smooth that out, these lower specific deductible amounts helped that to happen because if they had that terrible claim year, they knew that the worst case they could have for one employee or retiree was a \$10,000 exposure.

Member Margolis said she would like some input from staff or from Ms. Smith-Roy in terms of the effect of this on cash flow because this wasn't a predictable premium. She thought this had great potential to save some money on their claims and asked what time frame they were looking at. Ms. Gronlund-Fox said they would be getting those numbers for 2010 in the next six to eight weeks and then it would come back to Council for a decision.

Mayor Pro Tem Gatt said he wanted to know the cost involved to the staff; as he understood it now, if they had the traditional BC/BS insurance, there would be a premium each month. He said they pretty much knew what that premium was and it wouldn't take long for staff to handle this. However, under this scenario it would probably take a lot more time every month to reconcile and come up with the figures. Ms. Demiryman said there would be more time required because there would be more frequent reporting back to the City, and it would depend on the method the City chose. She said there was either a monthly reconciliation process available where each month the City would get a report of claims paid in the prior month and that was the amount they would wire into BC/BS. Or, there was a quarterly process where they fixed the City's monthly cash outlay to a certain amount and it stayed the same for three months and then there would be a reconciliation. Then, in the next three months, the amount would change based on what happened in the previous three months. Mayor Pro Tem Gatt said if it was quarterly, there would be a greater amount of paperwork because there would be three months worth of claims to figure out. He said he would like some kind of idea because if they went with the self funded insurance, they would be looking at \$85,000 to the good but minus how much in staff costs. Ms. Gronlund-Fox said BC/BS would still be handling the claims so they would be doing the majority of the work, as far as putting the reports together. Then the reports would be sent to the City and she and Ms. Demiryman would go through them and Ms. Smith-Roy would also be involved. She said most of the information would be HEPA as far as the claims themselves, so it would be confined to Human Resources and all of the claims analysis would happen there. Mayor Pro Tem Gatt said then it would not be the Finance Department's staff, it would be Human Resources. He said there would still be staff time involved and \$85,000 could be eaten up very quickly. He asked for some kind of an estimate regarding this when the information came back for Member Margolis.

Member Burke said Ms. Demiryman had spoken about a historic 12% medical inflation; he asked if that was typical over the last how many years. Ms. Demiryman replied it was fairly typical over the last several years. She said it was a national average number for PPO plans and they had run anywhere from 10% to 14%, which had been a pure inflationary trend year over year. She said this didn't necessarily indicate what had happened to the City of Novi and the premium increases they had received from BC/BS. She said it was one of the factors in determining what the City was charged each subsequent year. She said nationally it had run 10% to 14% for almost as long as she could remember. Member Burke asked how the number of claims had changed over the last several years. She said she didn't look at the physical number of claims but did look at the claim dollars and they trend upward every year but not at the national trend rate of 12%. He said if Council decided to do this in 2010, it would not impact the employees at all and nothing would change. Ms. Gronlund-Fox said nothing would change and Ms. Demiryman commented they wouldn't even get a new ID card; it would be business as usual as far as they were concerned. She suggested they disclose to employees that they were in a self funded plan and the City was now responsible for funding claims.

Member Crawford asked if they had noticed any difference between self funded programs and the regular BC/BS program they were doing now. She asked, based on what other communities were doing, if there was any difference in the claims once they went to a self funded program. Ms. Demiryman said she couldn't say she saw any difference in the claims because they always said "a claim is a claim is a claim" regardless of how and when it was being paid. She said from the members perspective it was a seamless transition and they wouldn't access services any differently. She said there was no predicted change in utilization

patterns just because of how the plan was funded. Member Crawford noted the disadvantage of self funding was that month to month budgeting became more unpredictable. She said since they were in unpredictable times, she was concerned because the City didn't have surpluses of money sitting around and she knew there was some risk involved. Member Crawford said she wouldn't necessarily be concerned about the risk based on the actuarial reports, but right now the unpredictable nature of this concerned her. She asked Ms. Demiryman if she had noticed any difference in other municipalities because of the economic conditions. Ms. Demiryman thought that was a concern that was shared because the sources of revenue coming into communities had obviously experienced some challenges. However, she had not seen a change from self funding back to traditional insurance out of concern for that yet. She said there would be some cash flow fluctuation. She said BC/BS did have a one monthly cap type of program and could put a cap on the month by month fluctuation. Then it would all get settled up at year end. So, they would pay the piper at some point.

Member Staudt asked if the fee per employee would go to the Administrator and BC/BS would get none of it. Ms. Demiryman said yes, it would go to the Administrator and Blue Cross was the Administrator. Ms. Demiryman said BC/BS was the Claim Administrator for this program; so they were acting in the same capacity they were acting in under the current program. She commented they received the claims, contracted with the doctors in the hospitals, negotiated the discount, adjudicated the claims and send the checks. They perform the same functions that they perform now but in the capacity of a third party Administrator instead of a primary insurer. Member Staudt asked if the Stop Loss was underwritten by BC/BS and she said it was. He asked who the expected access fee per employee per month would go to and she responded BC/BS. He asked where the agent was getting paid out of this. Ms. Demiryman replied that the agent fee was built into the administrative fee that BC/BS collected, just as it was now built into their premium dollar. Member Staudt said they could affect claims very easily by changing deductibles, correct? He said this was just with existing rules in place and they hadn't even talked about employee contribution at this point; this was pure raw data. Ms. Demiryman agreed. Member Staudt said, for example, the amount of the fees were not being paid for entirely by the City as some of it was being paid by employees. She said this was all looking at gross costs without netting out any employee contributions. Member Staudt said it appeared that about 2% of the claims counted for 25% of the claim dollars and asked if that had been consistent with the City, and did she have any idea what percentage of claims came from retirees versus employees. Ms. Demiryman said she didn't have that statistic with her but had a ton of data they could share with Council that would give them that information. He asked if she was a BC/BS employee and she responded she was not. He asked if she had these types of programs with other companies or did she exclusively represent BC/BS. She said they didn't exclusively represent BC/BS; they have clients who work with third party administrators if self funded, clients that work with all of the commercial carriers, Etna, Cigna, Humana, United, HMO's etc. He asked if there was a reason they couldn't look at a similar program with a different underwriter. He said he had worked with BC/BS for 25 years and they were always the most expensive from administration, underwriting and everything else. He said it would be nice to understand what alternatives there were. Ms. Demiryman said what they had found historically with BC/BS in looking at self funded programs was that they did tend to be more expensive on the administrative side. She said historically they always made up for that by being less than market pricing on the Stop Loss side of things. The other big part of that whole cost equation was looking at the discounts that were negotiated. Although BC/BS charged more on the administrative side, they did tend to have the deeper discounts

negotiated with the providers than a lot of the other networks did. Ms. Demiryman said they had put out an RFP to the insurance community on behalf of the City of Novi in response to PA 106 because they would have had to do it sooner or later anyway. She said they asked anyone interested in quoting on the current BC/BS plan, the HMO's, some of it or all of it, on both an insured and self insured basis to do so. She said the information was given to Council in a previous packet and there was a list of the markets contacted and their responses to the RFP. She said BC/BS came out to be the most competitive, based on the terms they were discussing. Member Staudt said looking at some of the numbers, especially on the very high end, he assumed some of it was retiree cost and it would really concern him relative to a self funded program. He said especially as they retired more and more of the City employees who were working longer and longer. He would be a little fearful of these numbers. Ms. Demiryman responded to Member Staudt's question regarding how a small number of people drove a large portion of the claims. She said there was an 80/20 rule where 80% of employees were responsible for 20% of the cost and 20% of employees were responsible for 80% of the cost. She said they did that sort of look at their clients all the time and found that rule to be true every single time. She said the numbers might vary a little but that was always the way it was. She said the hard thing was, in terms of using that to predict claims, the 20% of people who drive 80% of the costs changed every year. It's this group of people this year and next year they're the healthiest people you ever saw in your life and it was somebody new moving into that 20%, or they had passed on. Ms. Demiryman said they should note that the retirees over 65 had Medicare as their primary payer, so most of the exposure under this plan was for the prescription drug plans because Medicare didn't pay for them. She said retirees under 65 were as much exposure as active employees.

Ms. Gronlund-Fox said on May 27th she had put the report Ms. Demiryman mentioned into Council packets, which showed there were nine different markets they requested proposals from and she would be happy to provide that information.

Member Mutch said the coverage levels the numbers were based on was on the current coverage, so whatever deductibles and co-pays employees had would continue. Ms. Demiryman agreed. He said if there were changes in that, it would affect the premium cost for either plan. He asked regarding the Stop Loss levels, \$10,000, \$15,000 and \$20,000 if there was a correlation between the plans they selected and these kinds of calculations. How were those numbers calculated? He said if they thought what was offered now was too expensive and they needed to bring the cost down, typically they would look at providing a different insurance plan. He asked if there was some correlation in terms of changing the plan; then that would be reflected in different premium levels. Ms. Demiryman said if he was talking about relatively innocuous changes like a \$10 co-pay to a \$20 co-pay or something like that, it wouldn't have a huge affect on this. However, if they were going from the rich benefit levels they currently had to a plan that had a \$2,000 deductible per person, then the exposure to BC/BS would be reduced because if they had a high deductible, they would spend less City dollars and more of their own dollars. So, the exposure to BC/BS would be reduced and the premium would reflect the reduced exposure. She said in a situation like that they might want to take a premium reduction, keep the deductible the same or move up to a higher deductible to capture more premium savings. Ms. Demiryman said it would depend on the magnitude of the plan design change they were contemplating and how that impacted the premium rate. She said every year BC/BS would show them the premium to keep the Stop Loss where it currently was, but they would also show the premium to increase that deductible so that as a

City, if they took on more risk, the premium rate would go down. She said, in the future, that might be an attractive proposition for them in order to save fixed cost if they believed they were managing their risk in such a way, that they could take that fixed cost savings without having a concern about the additional risk it would pose for them again. She commented if they looked at all their claim history patterns, and saw that no one had ever gone up that additional incremental amount that might be a good strategy to consider. Member Mutch said if they decided self insurance wasn't working for the City, what was the process and time frame to go back. Ms. Demiryman said they could do it anytime they wanted. She said, on pages 11 and 12, the steps were outlined from a traditional to self funding and then from self funding to traditional. She said there were reserved dollars that BC/BS was holding of the City's money, an IVNR reserve, for claims occurred while BC/BS was still in affect; they got paid after the fact and there was a reserve for that. There was also a rate stabilization reserve, which were premium amounts that the City had overpaid over the last several years. She said part of that reserve would be returned to the City every year if there was a surplus, and part of it was held by BC/BS and credited with interest to offset future rate increases. She said in a move to self funding those monies would be returned to the City. She said in a self funded program the City had to fund a hospital pre-payment, which was an agreement that BC/BS had with the hospitals of Michigan. It said they knew they sent a lot of business to every hospital in Michigan and they would have a certain volume of patients in those hospitals every day of the year. So, they cut deals where BC/BS would pre-fund certain amounts to the hospital to give them some operating revenue. Then at the end of the year, they reconciled those dollars against BC/BS patients who had shown up for services. She said every employer that went into a self funded arrangement had to fund a hospital pre-payment. If they went back to a traditional insurance plan, those monies would come back to the City. Ms. Demiryman said there were new banking arrangements that were required because rather than paying the premium monthly, there were wires that went back and forth either monthly, quarterly or weekly. She said they didn't have to pre-fund the IVNR reserve; they would account for it but would not necessarily be funding it. Ms. Demiryman said if they decided to go back to traditional insurance, say on January 1, 2012, as of that date the City would begin to pay insurance premiums to BC/BS and at the same time they would still have to pay the claims that were incurred at the end of 2011. So, there would be a couple of months where the City's cash flow wouldn't be real great because they were kind of double paying. However, once those claims had run out the cash flow would be limited to the monthly premium payment and the hospital pre-payment would be refunded back to the City. She said as a part of the premium paid to BC/BS starting in 2012, they would start to build up those same reserves that were returned back to them so that the IVNR reserve and the rate stabilization reserve would start to build up again from their premium dollars. Member Mutch asked how the ages of the employees covered by the health insurance affected the benefit claims. He said the assumption was the more older employees there were the higher the cost but he knew that wasn't always the case. Ms. Demiryman said the general trend was that the older the average age of a given population, the more demand for services there would be. She said when they're over sixty five Medicare came in and picked up the primary responsibility for the medical claims for those members. One thing they tend to see in a population like this because the benefits tended to be richer than average in the private sector was that although the City might have more utilization of prescription drugs and that sort of thing, it tended to have less intensive hospitalization episodes. She said that was because people were treating their chronic conditions because they could afford the co-pays for their prescription drugs; so they were compliant with what their doctor told them to do. She commented a population of 23 year olds would make one

think that was perfect because they didn't use that much. However, if they had a lot of chronic disease present with hypertension, etc. and they weren't taking their medications properly because they couldn't afford them, then they tended to see more of those big costly episodes happening than they would in a different population. She said generally the old population would use more medical services, but a population where there was good preventative care and good manageable co-payments people took better care of themselves and hopefully avoided those catastrophic events on the back end. Member Mutch asked what kind of municipalities had gone the self insurance route and what their primary reasons for doing that were. Ms. Demiryman responded it seemed to be driven by a couple things; size was one because there had to be a certain critical mass before it made sense. Some smaller municipalities tended to have more HMO type offerings in the medical plan. She said there was a township locally that had the vast majority of employees in HMO kinds of programs, which were area rated programs where they didn't ever get any claim experience from the carriers or it was very limited. So those employers, cities and townships would not be able to make an educated decision as to whether or not they could be self insured, because they didn't have any claim data or history to make that decision on. The municipalities that tended to be self funded were ones that had a history to look back on to see whether it would be a safe or risky bet. Member Mutch asked who in this area was doing the self insured that would be comparable to Novi. Ms. Gronlund-Fox said Troy and Ms. Demiryman said Southfield and she could provide them with a list. There were also school districts that were partially self funded.

Mayor Landry said Council decided at a goal setting session that they wanted to take a critical look this year at the possibility of going self funded. They had been thinking about this for several years and hadn't really taken a critical look at it yet. The report was excellent but it was only one carrier and he thought they needed to look at more than one carrier. He said he was looking at Ms. Gronlund-Fox's memo of May 27th and believed it was what she had referred to when she said they went to other markets. Ms. Gronlund-Fox agreed it was the correct memo. Mayor Landry said looking at the nine other insurance carriers, Health Alliance Plan (HAP) "received fully funded proposals only" and asked what that meant. Ms. Demiryman said they asked HAP to quote on the portion of the plan they didn't already have; the portion that was currently with BC/BS. She said they asked HAP to quote on the entire group and quote on the entire group on both insured and self funded basis and their underwriter declined to give a self funded quote. Mayor Landry asked if they received the claims experience of the City of Novi, and she replied they did and everybody on the list received the same packet of information. The packet contained the BC/BS historical claim data and the limit that they now received from HAP, which they started receiving late in 2008. Mayor Landry said when it said "fully funded proposal only" that was the traditional, the City paid the premium and it was an insurance policy. She said he was correct. Mayor Landry asked if it was the same thing with Humana and she said Humana quoted self funded proposals only. Ms. Demiryman said based on the information they had from HAP, which covered approximately 60% of the employees and retirees, they only started receiving claim information from HAP late in 2008. She said, as an HMO, HAP didn't track the claim information group by group. She said pursuant to PA 106 the HMO's now had to release claim data to public employers, under certain circumstances. She said it was only one year's information and it was not quite as detailed and comprehensive as the data received from BC/BS. So, a lot of the carriers on the insured side were uncomfortable putting together an insured proposal based on data they didn't think was totally reliable or predictive of what would happen in the future. She said they were more comfortable giving self

funded proposals, which they did, and those were detailed in the remainder of the report. Mayor Landry asked what the cost savings was for the Humana proposal. She said, on page 32, the Humana quote was about 26% higher than the cost of the current BC/BS and HAP programs in place now. She said it was not even a comparable quote because under their self funded proposal they quoted a \$50,000 specific pooling point and were not willing to go to the \$10,000, \$15,000 or \$20,000. So under that scenario, the City had primary claim responsibility up to the first \$50,000 worth of claims per person. Mayor Landry asked if BC was willing to quote all the people coming out of the HMO. She responded the program they looked at was assuming that BC/BS would self fund the piece they currently had. They did give quotes to pull in all the HMO people but the ones that they had been looking at were just to duplicate the folks that currently had BC/BS. The quotes to pull in the HAP people were a little more subjective and subject to needing updated claims, etc. Mayor Landry asked if Humana was asked to submit a self funded proposal only on the people who were not currently HMO's. He said that would be apples to apples with what BC/BS submitted. Ms. Demiryman said she couldn't remember. Mayor Landry suggested going back to Humana and ask them to leave out the HMO and submit a quote on the others. She said they might have done that and if they didn't, it would be easy to go back and ask them to submit a quote on that. Mayor Landry requested that she do that. He asked if NGS American Inc. was a third party administrator and who the carrier was. She said they were a third party administrator but there was no carrier other than a Stop Loss carrier and she would get the name of the Stop Loss carrier for Council. Mayor Landry commented they said "TPA only provided self funded proposal" and asked what that meant. Ms. Demiryman said as a third party administrator NGS was not an insurance carrier, therefore they were not licensed to write business as an insurance carrier. So, they only gave a self insured quote and not a fully insured quote. Mayor Landry asked if their quote was more or less. She said it was on page 32 and it showed as a 5.4% projected reduction in cost as a total replacement assuming they were pulling in all of the employees and retirees of Novi. She said a couple of things to note were they had a \$75,000 specific deductible per person, which was not comparable to the \$10,000 specific they were looking for. Also, all of these Stop Loss quotes from Priority, Humana and NGS were all subject to change based on updated claim information. She said they all wanted to see updated claims and specific claims for individuals that were above a certain amount or had certain diagnosis. She said there was some information within the HAP program that they still couldn't get at and it was based on the way HAP compensated its providers. She said they had claim data on a certain portion of employees who used HAP but no plan data on other employees who used HAP. Ms. Gronlund-Fox said they could get all the information from BC/BS. Mayor Landry said the NGS quote was on everybody and not just the HAP people; Ms. Demiryman said he was correct. He asked if they were asked to give a quote and she responded she would have to find out how the RFP's were sent out. She said she knew this was the way they quoted it because they, obviously, wanted to have a group of a certain size to administer the program. Mayor Landry said he would like to see that because it would be equivalent to what she had prepared for Council with the BC/BS proposal. She said she'd check on that.

Mayor Landry said, regarding Priority Health it said "quoted self funded plan but did not match current plan designs". He asked what that meant. Ms. Demiryman said they provided a proposal to do a self funded program, outlined on page 32, and they didn't quite match all the co-pays and some of the things negotiated per contract. She said it was something they could go back and do if pushed hard enough, but because their quote was coming in at an increased cost over current cost, they didn't spend the time to go back again. Mayor Landry said that

was more expensive with fewer benefits and Ms. Demiryman and Ms. Gronlund-Fox said yes. Ms. Demiryman said if they were going to ask Humana and NGS to quote on the BC/BS piece only, they could ask Priority Health to do the same thing. Mayor Landry asked what the deal on the MERS response was. She responded MERS declined to quote because of the insufficient data and specifically referred to the lack of historical claim history coming out of HAP. She said typically if MERS couldn't get a lot of very detailed month by month claim data to understand where a group had been historically, they would require that each person in the proposed group fill out a medical statement to let them know what the employees and dependents had been treated for and were being treated for. This would give them a very good snapshot of what the current risk exposure was. She said they didn't pursue the medical underwriting piece because they didn't think it was feasible and the HAP claim experience was, by its nature, of limited of value to MERS, so they declined. Mayor Landry said they didn't pursue it because they didn't think it was feasible; he asked what she meant. Ms. Demiryman said they would have to hand out to every employee and retiree at the City a medical questionnaire that would ask them "have you ever been treated" for all of these different things. He said like everyone did when they bought health insurance. She said not necessarily; people that buy it in a group setting didn't have to answer those types of questions. She said individuals who buy health insurance would have to answer those questions. She said they had approached groups that wanted to get quotes from organizations like MERS and when they asked them to fill out the medical information it typically stopped there. She said it was considered a little intrusive because it was quite detailed and answerable on behalf of every employee and all their dependents. Mayor Landry said he would appreciate it if she could get the similar information from these other markets, so that Council could look at what the cost would be in comparison to the BC/BS market. She said she would do that.

Member Staudt said people don't like filling out health questionnaires because it was cause for exclusionary coverage with those types of carriers and they knew what was going to happen. He asked if they looked into any kind of health reimbursement account scenario, where they had a \$2,500 or \$5,000 deductible, which was then underwritten by the City back to the \$250 or \$500. He said the City would take on that liability, obviously it was a higher risk but it reduced the Stop Loss insurance cost dramatically. Ms. Gronlund-Fox asked if he was talking about going to a higher deductible plan, and then the City of Novi funding that back to employees. He said that was basically what a health reimbursement account was. Ms. Gronlund-Fox said they had looked at those in the past and based on the benefit level and the amount that employees paid now, as far as deductibles and co-pays, in order to get that deductible high enough for the City to save money, the City didn't save, by the time they fund back the employee to make that deductible what it was today. He said that was generally not his experience but he understood that was usually the response because that was the way the business world had gone. He said he had a group policy that had 7,000 people involved and it had that type of policy and was a BC/BS policy. Ms. Demiryman said there were employers who had taken the high deductible health plan and either, via a health reimbursement or health savings account (HRA), had reimbursed the employee back down to the level of deductible they wanted to get to. She said when those flexible Blue plans and high deductible plans first came out, very often the math would work in the City's favor. They'd take the high deductible and agree to fund back a certain portion of it through these reimbursement accounts and they could save money. She said the carriers started to catch on to that fact of employers reimbursing through those HRA's and what they were trying to do with those high deductible plans was change employee behavior. So, if there was a high deductible plan the thinking was

members would be more likely to take the generic drug, to question the test the doctor ordered, etc. She said what the carriers had discovered was that when the employer was funding back a majority of that deductible through a reimbursement account they weren't getting a behavior change. If they went to the doctor and paid for it up front, then submitted it and got the money back, it wouldn't stop them from going to the doctor. If they thought they needed that brand drug, they would get the brand drug because it wasn't coming out of their pocket. So, the carriers were finding that it didn't change behavior in the way they anticipated and priced for; so they were starting to lose money. Member Staudt said now they were used in combination with health savings accounts that were completely funded by the employee; so they still worked. He commented he had seen the actuarial. She said they do work if the employer was able to take the high deductible and just pay the premium based on the high deductible plan, and not fund back any or a small portion of that deductible. Then the math would still work.

REPORTS

1. MANAGER/STAFF - None

2. ATTORNEY - None

AUDIENCE COMMENT

Randy Gregory an owner representing Mix Lounge, 43155 Main Street, Suite 502, was present to speak regarding Item #1. He said the owners of Mix Lounge didn't support the request of 29 Park Inc. for the following reasons: 1) Parking and safety issues, 2) Lack of diversity and 3) being a part time participant in the City. Mr. Gregory said regarding #1, they believed over 600 people would cause a parking issue during busy times. He said he expected the parking needed for the nightclub lounge would be in excess of 200 spots, which was based on requirements when he came before Council in the past. He said the Main Street business owners had about 400 spots available to them in that area, including the garage in the basement. Mr. Gregory said this new business would occupy more than half of those spots currently available. He said there was a shared parking study recently done and he hoped it wasn't done in May or June when the Wings were playing and business in general was down about 50%. He said the study wouldn't correctly represent the normal attendance to that Main Street area. Mr. Gregory invited Council to the Main Street corner complex area on a Friday and Saturday around 11 p.m. or 12 a.m. to see how congested it was in that area. He said they had instructed their staff and tried to educate their customers to park underneath, as that was a viable option considering how congested it was. Mr. Gregory said parking in the Main Street area was limited and with capacity of over 600 people, there was bound to be major congestion at this corner location and back into other areas. He said the possible gridlocks in the area might chase customers away from the Main Street area and with increased foot and vehicular traffic, they felt safety would become a factor. He said they believed the project would not help diversify the area. The demographics of the new business were 21 to 31 year olds people and there were currently seven businesses in the area that provided entertainment and attracted that crowd. Mr. Gregory said they didn't support Item #1 and felt it was important to bring the right business and one that brought diversity to the area. Mr. Gregory asked that, for those reasons, the Council strongly consider denying the proposal.

Michael Gallina, 16376 Karen Drive, Clinton Twp., was present and represented a corporation called the Dearborn Lithograph, which was a commercial printer in the Livonia area. He said they serviced about 20 municipalities around Michigan and the tri-county area. He was present to talk about Item 3, which was the award of a couple printing bids that was being discussed this evening. Mr. Gallina said one of the items on the Agenda was to award the Enhance Magazine and Dearborn Lithograph had done the magazine from 2001 to 2006, as they had the contract during that period of time. He said they lost the contract in 2006 due to a lower bid. In 2009 they bid the project again and currently were \$11,035 less expensive than the bid that was being offered to Council this evening. Mr. Gallina said they had tried to figure out if they were going to be recommended tonight for a particular project and the information given to them was there were some production issues. He said as far as he and the company knew Novi had never given Dearborn a letter regarding any kind of production issues or problems with the project. He said if the project was being awarded with the little newsletter that went with it, which was the Enhance, then their proposal was \$300 higher. He said if they were being awarded together, he would still be able to save the City \$10,013. Therefore, over the three year period it would be a savings of about \$30,000 for the City.

CONSENT AGENDA REMOVALS AND APPROVALS (See items A-I)

CM-09-07-092 Moved by Margolis, seconded by Gatt; **CARRIED UNANIMOUSLY:**
To approve the Consent Agenda as presented.

Roll call vote on CM-09-07-092 Yeas: **Gatt, Burke, Crawford, Margolis, Mutch, Staudt, Landry**
Nays: **None**

- A. Approve Minutes of:
 - 1. June 15, 2009 – Regular meeting
- B. Approval of Resolution authorizing the Reprogramming of Community Development Program Income Funds into the 2009 Minor Home Repair Program.
- C. Approval of contract award renewal to Accuform for printing of the Theatre Program Cover, Theatre Postcards, Proposed and Annual Budgets, State of the City Address Invitations, and the Annual Appreciation Dinner Invitations and Programs in the amount of \$6,030 for one year.
- D. Approval of consent to assignment of lease of the Novi Ice Arena Pro Shop to Sooner Sports, Inc.
- E. Approval of final balancing change order and final payment to Garrison Company in the amount of \$35,468.12 for the Police Department's Critical Needs Project.
- F. Approval to enter partnership with Crime Stoppers of Michigan for \$1,000 from State Forfeiture Funds.
- G. Approval of the Storm Drainage Facility Maintenance Easement Agreement for the Flagstar Bank site, located on Parcel I.D. No. 22-22-400-014 at 24235 Novi Road.

- H. Approval of design services contract amendment to Hamilton Anderson Associates for additional design services for the Fuerst Park barn pavers and community garden commemorative in the amount of \$4,250.
- I. Approval of Claims and Accounts – Warrant Nos. 797 & 798

MATTERS FOR COUNCIL ACTION – Part I

- 1. **Consideration of the request of 29 Park, Inc., for approval of a Preliminary Site Plan and Shared Parking Study. The subject property is located in Section 23, south of Grand River Avenue and east of Novi Road, in the TC-1, Town Center District. The applicant is proposing to occupy approximately 10,000 square feet of vacant tenant space at 43155 Main Street in the existing Novi Main Street Development.**

Member Burke requested Council entertain his request for recusal as the project coming forward shared a landlord and there might be some financial gain.

**CM-09-07-093 Moved by Mutch, seconded Margolis; CARRIED UNANIMOUSLY:
To approve Member Burke’s request for recusal.**

Voice Vote

Member Burke left Council Chambers.

Rob Sassine, owner/applicant was present to answer questions.

Mayor Pro Tem Gatt said Council wanted to see Main Street develop, thrive, prosper and grow. However, he did share the concerns Mr. Gregory talked about in Audience Comments. He asked if when the shared parking study was done, was it done on the Friday night in May when the Wings were playing. Ms. McBeth said yes, it was the weekend of Friday May 1st and the Red Wings were playing that weekend. Mayor Pro Tem Gatt said he knew there were a lot of sports fans in the area who would probably go to a local sports bar to watch the Red Wing game instead of Main Street. He said he wasn't convinced the study was appropriate for Council's decision making process tonight. Ms. McBeth believed that they considered it a valid study, it was carried throughout the entire weekend and there were counts provided each hour from 7 PM until 2 AM. She thought the numbers were a little higher than expected on a typical weekend and they were adjusted further throughout the analysis. Mayor Pro Tem Gatt said there were 400 plus parking spots in the Main Street area, correct.

Rod Arroyo, Birchler Arroyo and Associates, said in terms of total parking there was a break down that was provided, but the actual Main Street project that was included in the study included over 1,000 spaces. He said that roughly included all the parking spaces in the project within about an 850 foot distance, which was equivalent to a three minute walk. Mr. Arroyo said that took in everything they could think of within the primary Main Street project. He said it didn't include the portion of Main Street that fronted on Novi Road. Mayor Pro Tem Gatt said it included Main Street and Market Street; Mr. Arroyo said it also included all the way over to Main Street East where Andiamo's was. Mr. Arroyo said the count was taken May 1st, it was a playoff night and was in the low 60's and they thought that could contribute to a higher turnout

in the area as well. Mayor Pro Tem Gatt asked how expensive or difficult to do another study on a more typical Friday or Saturday night in the summer when the Red Wings or Tigers were not playing. Mr. Arroyo said the applicant's traffic consultant did the analysis so he didn't know what the exact cost would be to have them do another. Mayor Pro Tem Gatt asked if they were talking about 600 people in the establishment. Mr. Arroyo said no, the number was brought down from 800 to 681 person capacity. Mayor Pro Tem Gatt said if it was filled to capacity, they were looking at about 400 cars. Mr. Arroyo said according to the City Code it was one space for every two persons, so 341 spaces would be demanded. He said one of the things that would provide some flexibility and was good news in terms of looking at the potential for having spaces available, was they did not discount the demand for the new demand, based upon the fact that there would be shared usage from one use to another. For example, if he went out to dinner on Main Street and then to the club afterwards, they didn't reduce the parking demand based upon that interaction and there would be some of that. He said that was not factored into this, so it was conservative from that perspective.

Mayor Pro Tem Gatt said Mr. Gregory wasn't the only business person in that area that had expressed parking concerns with this establishment. He commented he would like to see this delayed and another study done but if the majority of Council wanted this to move forward, he would support it.

Member Margolis said in terms of occupancy and safety, it was interesting that this came a couple of weeks after their discussions regarding the ICMA study that talked about off hour inspections of night clubs and the importance of prevention. She asked Chief Smith to comment on the safety of having that number of people in that facility and what kind of review had been done. Also, what kind of regulation or oversight would there be to make sure that 681 was really the number of people in there. Chief Smith said that amount of people would cause concern from the Fire Marshal. He commented when there was a final floor plan submitted, the Fire Marshal would go through it microscopically to make sure there was enough ingress and egress space for the people to get out of the building should there be a problem. He said historically St. Patrick's Day and the night before Thanksgiving were the nights that drinking establishments had very full houses. Chief Smith said since he had been with Novi, the Fire Marshal had gone out every one of those nights and had provided a report, which was then provided to the City Manager. He said the Novi businesses were very aware that they were going to be checked out and if they expected or had a problem, they put someone at the door and only let enough people in for those that came out. He said Novi businesses had been very compliant. Member Margolis asked if she was correct in believing that this was one of the most intensive uses in this kind of a space in the City. Chief Smith said his guess would be yes, and Ms. McBeth said that was probably correct. She said this was about 10,000 sq. ft. of space and was primarily night club space, so it didn't have the tables and chairs. She said there was a night club in Fountain Walk above the bowling facility, which was probably a comparable intense use. Member Margolis asked if it had this kind of occupancy. Ms. McBeth said when looking at the 800 person number initially it was a little less than that, so it would be comparable. Member Margolis asked what procedures would be put in place, because she thought this would be an intensive use on other than the two holidays. She said she was looking at the numbers at their locations in London and Windsor and it showed they were pretty much at occupancy during their peak use from 12 AM to 2 AM. Chief Smith said they had a good cooperating relationship with the Police Department and if they found anything out of the ordinary, they would call the Shift Supervisor who would go down to

an area that might have an excess amount of people and actually count people. He said if something was out of the ordinary or above the recommended limit, they had no problems with compliance. He said there had been a couple of occasions where Officers moved the waiting line inside of the building to the outside. He said they would strengthen that relationship to make sure that as Police patrolled them they would also patrol them, but the Fire Marshal would oversee that and provide a written report. He commented they would watch it extra close. Member Margolis said if they approved it tonight for this amount of people, the next step in site review would be a really detailed look by the Fire Marshal to make sure it was a safe structure with enough egress. Mr. Arroyo said she was correct. She asked if the shared parking study included the proposed uses in that area. It wasn't just the businesses that were there now, but also proposed uses in those areas were projected forward and the parking spaces would be sufficient. Mr. Arroyo said it looked at existing buildings and those uses that might currently be vacant and particularly those that would impact during the peak time that were being considered here. He said there was just one that had a significant impact, which was the vacant Mexican restaurant because it would generate a demand at a similar time as 29 Park. So, it was added in and factored into the total number and included in the study. He said if it was vacant office use it was not considered, because office use wouldn't be generating demand at 11 PM when the peak was occurring for the overall complex. Member Margolis said what if there was a change in the use. Mr. Arroyo said if there was a change in the use, it would get back to the overall concept of the Main Street project when it was originally approved. He said it was based upon a shared parking formula and a certain number of uses interacting in a certain way and if those individual uses started to change, he thought it would be appropriate to monitor it. Also, if someone proposed a use that was more intensive than what previously existed in that space, they would have to go through a similar exercise to determine how that parking would be satisfied; if there was going to be a shortfall or to verify that there would be adequate parking. He noted if they were going to maintain the same use, then that would be the status quo and they could continue to do that. Mr. Arroyo said as intensity increased, the burden would be on the applicant to show that there was adequate parking.

Member Margolis said the night club in London had a 400 maximum capacity and in Ontario it was 502. She asked if he could give her an idea of the square footage. Mr. Sassine said it was roughly 6,500 sq. ft. for the Windsor location but the London one was a little different because it had a roof top patio and with that it would be closer to about 8,000 sq. ft. He said that didn't include washrooms and other areas in the club. Member Margolis asked the proposed square footage of this project and Mr. Sassine replied 10,000 sq. ft.

Member Staudt asked about valet parking and whether there was any opportunity to rent space for valet parking. Mr. Sassine said it was one of the Planning Commission's recommendations that they look at using valet parking. He said the problem was that valet parking would use the same parking spaces that they would be using now. He said the only benefit to valet parking was that it could park more cars into a certain area because they maintained the keys, so they could block people in. Mr. Staudt said nothing stopped them from renting property off site, for example the Ballroom parking lot, would be an individual business decision for them. Mr. Sassine said they had nothing against pursuing it but they went through this avenue, but obviously there was another avenue to go through for valet parking as well. He said the only problem was health and safety became an issue because the further away from the club they went the runners would have to cross major intersections from 11 PM to 1

AM in the morning, and that could pose a little bit of a risk and they didn't want to put anyone in any danger. He said if that was something Council wanted, then they would entertain it. Member Staudt asked if he was concerned about the amount of traffic that was being projected at that location, and did he see it as a benefit. Mr. Sassine responded he had been there at that time of night and was not concerned and thought it would be a benefit to his business. He said they had been looking for a number of years and had been pursuing the City of Novi for the past two and a half years. The first endeavor fell through because of the financing on the part of the landlord, as they were building a new building to house the night club. He said they wanted to be a part of the project and a part of what the City of Novi had. He said they saw the web sites, the Chamber of Commerce web site and the Mayor was on it and everyone wanted to welcome new business. He said they wanted to be a part of that and were trying their hardest to please everyone but obviously Council knew it was impossible to please everyone. Mr. Sassine said they were trying to do the best they could with the spaces they had and the whole purpose of being in an Entertainment District was there was life there. He said another benefit was people would park in one space and go to one club and then make their way to another club, which would be a benefit. He thought two people per car was modest but that was what was set out in the guide lines, so that's what they followed. Member Staudt said seldom had he seen less than three or four people climbing out of a car; it was a big group thing. He said at their other locations, it looked like the peak hours were between 11 PM and 1 AM. Mr. Sassine said that was true and the peak times were slowly getting later and later. Member Staudt said he had a really tough time when someone came in that was sincere and wanted to invest in a community and in a building that had been a real challenge and he wished them good luck. He said he would like them to find some alternative spaces and find a way to expand the parking in this area. Member Staudt thought they were underestimating the busyness at the earlier part of their day but he didn't think there would be much issue at 1 or 2 AM.

Member Mutch said he wanted to explore the discussion at the Planning Commission meeting in terms of how the parking spots were being allocated among the various users. He noted what he gathered at the Planning Commission meeting was as far as how the City viewed the parking in the area it was essentially collectively owned or accessible. If one user came in and got 341 spaces of the 1,000 spots, by the nature of the type of use, from the City's viewpoint as long as the total overall parking usage didn't go above the 1,008 it was not Council's problem. Mr. Schultz said that was it in a nut shell. It was initially approved all together and every one of the applicants had gone through the shared study process. He said they did some checking and there were no cross access easements and this was generally a collectivist parking arrangement. Member Mutch said whatever legal issues that came up in terms of who owned or had access to what, it was something that would be sorted out among the property owners and people who were leasing space. He said as long as the total was met, Council would not get into divvying up those spots. Mr. Schultz said they reviewed the uses as they came in and occupied the spaces. He said through the shared parking study analysis, they made sure they were satisfying the City and had taken into account other existing and planned uses and vacant spaces. However, in the end they had to show that there were dual land uses and the need for parking wasn't overlapping. He said as a result of factoring in existing current vacant uses there would be enough parking.

Member Mutch said Mr. Arroyo indicated that the Shared Parking Study covered the entire Main Street area except the Novi Road frontage all the way over to the Andiamo area. He said

the majority of parking in that area was north of Gus O'Connor, west to Andiamo, the underground parking and the parking behind the Mongolian Barbeque and those restaurants. He asked if, when doing the study, they looked at all in terms of the location. He said on the one hand they were looking at a criterion that said in three minutes walking distance there would be so many spaces. On the other hand, when looking at the uses in that area, there seemed to be a concentration of demand closer to the Main Street/Market Street intersection versus where a majority of that parking was located. He asked if they had looked at those factors in evaluating those proposals. Mr. Arroyo said when they collected their data, they gave them a lot by lot demand by hour and the garage was under utilized, the spaces immediately behind the users that front on Grand River were somewhat under utilized and the space south of where Andiamo's was. He said those were the three areas that had the lowest percentage of occupancy; the rest were higher during peak times. One of the things would be to learn to go to those areas at a peak time and to the areas that were more likely to have spaces available. He thought some of the owners needed to inform their patrons and give them suggestions about where to go. However, when they look at from an overall perspective it had always been presented as one project; it's a mixed use project, it had synergy with people walking back and forth. He said while that information was helpful to know, he didn't think it had ever been used by the City as a basis for making a decision on the land use, as it had always been treated as one entire unit. Member Mutch said in terms of looking at the parking demand, Mr. Arroyo had indicated to Member Margolis that they were looking at the existing buildings and the uses that were in those buildings as well as vacant space within those buildings. He said from the parking study perspective their hope and vision was that Main Street would be a lot more than what was currently there. Mr. Arroyo agreed. Member Mutch said at this point the future build out of that was not even a consideration; the assumption was they would provide their own parking. He asked if that was accurate. Mr. Arroyo said whatever phase that would be built had to be analyzed to determine that there was appropriate parking based upon shared parking. Member Mutch said potentially if there were available spots, they could utilize the existing 1008. If they came in and needed 500 spaces and there were only 200 available, they would have to provide the additional 300. Mr. Arroyo said they would have to provide enough to meet the requirements.

Member Mutch said Mr. Arroyo had been with the City and the Main Street development long enough to understand that when the City drafted this vision for Main Street it was exactly as Mr. Arroyo talked about. It was to be a single project with a shared parking component and they didn't want to require users in the Main Street area to provide too much parking. He said they were trying to create something different than the typical strip mall or suburban development and the understanding was if they wanted to replicate a downtown Northville or Royal Oak, they would not have a parking spot for every car for every hour of the day. He said there couldn't be a development that functioned as a Main Street with those kinds of parking requirements. Member Mutch thought the challenge had become that there was a number of existing users in the Main Street area who had made an investment in Main Street and had stuck it out through some difficult times. He said they had very legitimate concerns about the impact of this project on their development and they had gotten used to the availability of parking in that area. Member Mutch thought Council would have to grapple with deciding how much they balanced the desire to provide the ease of parking against the vision of Main Street, which recognized that they wouldn't have easy parking access for everybody. He said somebody would have to park back behind Andiamo and walk or there would have to be a valet situation where parking wouldn't be nearby. Member Mutch thought the applicant saw

the Main Street vision how it would be in the future, which was an active busy area all hours of the day and with that would come the congestion and the traffic. He said they needed to recognize that would come along with it but in a vibrant positive way. He said the days the Market and Main Street intersection were busy and congested were the days that they would recognize the project was moving in the right direction. If they could get through Main Street and Market Street in the evening, that was a bad sign in his view. Member Mutch said this was challenging because the applicant had met the requirements that the City put before them and sounded open to alternatives. He said regarding valet parking, if they read the Planning Commission minutes, it was clear that the applicant was told they didn't want them to depend on valet parking to make the proposal work. They said the applicant needed to change the proposal and parking to not rely on valet. Member Mutch said if Council wanted to put valet into the mix, and give the applicant the opportunity to look at that and maybe not be so reliant on the shared parking, they needed to offer that this evening. He said he didn't think they had the opportunity to bring that forward as part of the current consideration.

Member Crawford said she appreciated the applicant's perseverance. She said she really wanted to see Main Street become a vibrant place. She felt a lot of her concerns were addressed in regard to parking and safety, as she knew the Administrative staff would be looking out for safety issues. Member Crawford said she felt much better about this project than she did earlier.

Mayor Landry commented this was challenging because parking was really a safety issue. When there weren't enough parking spots people parked where they shouldn't. He said streets and parking spaces were stripped and laid out a certain width to allow emergency vehicle access. He said when people parked where they shouldn't and someone had a heart attack and the EMS vehicle couldn't get there, it would be a problem. He said when talking about parking they were really talking about a safety issue; so it was a big deal. Mayor Landry noted they were clearly a successful business with two other businesses. He thought they must have the right formula because they had two businesses and were looking to open a third; and clearly if they were in Canada and were here, they had done a market research and were convinced they would be successful in Novi. He thought Mr. Arroyo had made a couple of good points tonight and as he looked at this he thought there would be some shared parking within the Main Street complex. He thought some people might go the Mix Lounge, the Post Bar and 29 Park, Inc., and only occupy one parking space while they did that. He also thought the nature of their business catered to a younger crowd and one would hope that they would car pool with a designated driver. He said they hoped there wouldn't be just one person to a car and because of the nature of their business there probably wouldn't be. Mayor Landry said as an experienced business owner in the night club business, if they were to offer valet parking at this facility with a capacity of 681 people, how many spaces did they think they would need for valet parking. Mr. Sassine replied he didn't think they would need many because he didn't think many people would take advantage of it. He said people like to be able to access their vehicle. He said they had to remember that at a certain time alcohol service stopped, which meant that all the night clubs emptied out and everyone went to retrieve their cars at the same time. He said the car retrieval would be only as fast as the valet runners could run and retrieve the cars. He said the one problem about valet parking was they couldn't say that everyone who used it would be going to his club. So, how did they know that they would all go to 29 Park when they used valet parking? He said since they had shared parking and had done a shared parking study they could explore a shared valet. Mayor Landry asked if they had valet

parking at their other two locations and Mr. Sassine said they did not. He said those issues had been waived because it was an Entertainment District. Mayor Landry said if they were packed at 681 people, then he would guess they would probably have 50 people who used valet parking, which were 50 spaces. However, he was concerned they would have a line of 20 to 50 people waiting outside and if they were standing there, they already parked their car. So if there were eight spaces in excess, they were successful and there was a line of people, where were they parking to even get to the point that they were standing outside the front door. He said he agreed with their timing in that some of the businesses wouldn't be using parking when they were. Mayor Landry asked the landlord to step forward and Asher Hussain came forward and said he was a partner with Main Street partnership. Mayor Landry asked if he was a partner that owned the building that this project would be located in. Mr. Hussain said yes. Mayor Landry said he wanted to be sure that Mr. Hussain was aware that if this was approved tonight or at any time, it would utilize a certain number of available parking spaces. Mayor Landry said it was his understanding that Mr. Hussain had some vacant tenant space in that building. He said if Council approved the project, it would limit Mr. Hussain's ability to rent that vacant space only to uses that were currently principle permitted uses and upon which the current parking study was based. Mayor Landry asked Mr. Hussain if he understood that and Mr. Hussain responded he and the partnership understood that very clearly. Mr. Hussain said if they were to consider a tenant that proposed a usage more intense than what was already designated for those existing spaces a revised shared parking study would be required. Mayor Landry said if this was approved and Mr. Hussain came forth in the future and wanted to lease the vacant space to a use more intense than it was currently, he would have a difficult problem doing that. Mayor Landry stated he wanted to be sure that the landlord understood what was going on and that he had tried a lawsuit last year over this exact issue. He said the developer had six spaces and rented five, they used up all the parking and couldn't rent the sixth space and sued the City. He said when they talked about it not being their problem it could be, if a developer said the City had rendered their space unusable. However, they rendered it unusable because they chose to lease to the high intense uses. Mayor Landry said he wanted to be sure that he was fully aware that this was going to limit his ability to lease out the remaining space. He asked Mr. Hussain if he was aware of that and he responded yes, he was aware of that. Mayor Landry said what appeared to him to be a shame in this situation was if he stood in front of their proposed space and looked to the south, he saw a lot of vacant property right across the street from their facility, which would be available for parking. Mayor Landry said it was just a big brown dirt lot there. He said when he looked down from Mix to the west there was a lot of open space there. He was wondering if they had or would be willing to explore discussing the possibility with the owner of that property of dumping some gravel and maybe going with a shared valet service. Mayor Landry noted he was not suggesting they pave it because they wouldn't run the valet service, as they would hire a company that did that and they would come in and deal with it themselves. Mr. Sassine said they had met with a couple of them. Mayor Landry said he would feel a lot more comfortable about it if someone would dump some gravel, and create 40 or 50 spaces. He said 29 Park was in the perfect location, as they were right there on the corner. If they had a valet service right there, people could go to any of the Main Street businesses and it would ease the pressure a little bit off of their spot. Mayor Landry said this would be a close call and he would be a lot more comfortable if they explored that option, and came back in a couple of weeks. Mayor Landry said he was not saying this totally depended on their doing that but he would feel more comfortable.

Member Mutch said that was kind of the direction he thought about and the applicant did touch on the valet parking and whether that would work for the individual business versus a group valet parking. He said he would be interested in postponing this to the next meeting to give the applicant and business owners an opportunity to talk and give Council an idea whether any of these suggestions were feasible. He said he didn't know if the Zoning Ordinance would require paved parking, but thought it would. Mr. Schultz said he would be happy to talk with them about it. Member Mutch asked that they explore these ideas to see what was feasible and come back to Council for a final decision. Mayor Landry said he would like to explore that but wondered whether two weeks was enough time. He asked Mr. Schultz how long he thought this would take. Mr. Schultz said from his perspective it would not take long but it would be the Planning Department that would review any actual lines on a paper as to where parking might be. Ms. McBeth said they would be happy to work with the applicant and bring them back as quickly as possible. Mayor Landry said when he said "explore the possibility of it", he was saying there's a lot of vacant space even west of where the Mix was, back behind there and across the street. Member Mutch asked to postpone this item for one month and if there was a resolution sooner the applicant could bring it back sooner. He thought one month would be sufficient time for all the parties to explore the possibilities and give staff time to review them to see if they were feasible, and then Council would have the information to make a decision.

**CM-09-07-094 Moved by Mutch, seconded by Staudt; CARRIED UNANIMOUSLY:
To postpone further consideration of request of 29 Park, Inc., for
approval of a Preliminary Site Plan and Shared Parking Study to
allow the applicant time to review valet parking options around the
proposed nightclub, including further discussions with Triangle
Development as well as other concerns and comments made by
Council, and to provide additional information to the
Administration to review applicants results for feasibility.**

DISCUSSION

Member Staudt said he thought this was a very important position to take because the safety issue was paramount but would like to give the applicant an opportunity to address him.

Mr. Mike Sassine, Mr. Rob Sassine's partner, said they had explored valet and had met with two operators and they both identified the garage in the basement as the best possible solution for valet. However, that was already counted in the spots so they wouldn't gain any extra spots by using that. He suggested renting across Grand River and the valet operators said that was too far to run. He said the land behind was by Triangle Development and was one of the contractors they were using for the build out and from what he understood after brief discussions with him, he was not going to do anything for them on that land as far as gravel, paving, etc. He said they had explored the valet and had been at this for quite some time and didn't want to wait any longer. He commented he just didn't think renting new spots from a new party was realistic.

Member Staudt said Council was being put in a difficult position. He said they generally put out good signals that Council would like them to go back and reconsider and if they were asking Council to withdraw the motion and vote tonight, he might not like the outcome. He suggested

that they go back, look around, open every opportunity they had and reconsider, as he would be really hesitant to demand a vote tonight.

Mayor Landry said Triangle Development was exactly who he was talking about but he wasn't suggesting that they pave it or put any kind of significant dollars into developing it. He said they had a lot of land there and suggested they have further discussions with Triangle about 29 Park, Inc. paying for the gravel or however they worked it out with the other potential businesses on Main Street.

Mayor Pro Tem Gatt said he wanted them to try and come back to Council and if they said they talked to Triangle, etc. and they all said no and all avenues were closed, then Council would have to make a decision. He said if they didn't try, he thought Council would make a decision tonight that they wouldn't be happy with.

Member Margolis said she had some real questions about a gravel lot and had been leaning towards granting this tonight. She hoped her questions early on were not unwelcoming to the community because the idea of a vibrant Main Street area made sense to her and the idea that they opened after 9 PM make sense to her. She said she had concerns about safety, but rather than push a vote tonight and get turned down, she would like to see what they could do and would support the motion to postpone based on the discussion.

Member Crawford asked if the motion was to postpone for a month. Mayor Landry said the motion was to postpone for a month unless the applicant chose to come back earlier. Then they could let the Administration know and come back earlier.

Member Mutch stated that Council tried as much as possible to be business friendly and obviously they had been through a long process in Novi. He said he could understand their desire not to have this drag out any further, time was money and he recognized that there was a cost involved. However, what was equally important from Council's perspective was to ensure when they made a decision, they had as much information as possible and that they had fully explored all the alternatives. He said sometimes in that process of exploration they come across a better solution than what initially came forward and sometimes through the process of that review they come back to the original decision and vote based on that. Member Mutch said it was important to at least look at that and if they come back in two weeks or four weeks and none of those options work, they could at least say they explored those and gave everybody who had a concern regarding impact of the development, an opportunity to have input into the process. He commented he didn't think it served the applicant or the community well to push forward a decision tonight even if it was in favor of their business moving forward. He said they had done a lot of work in the community and were looking for a big investment and Council appreciated that but it was important to Council that they take a little longer to make sure Council was making a fully informed decision. He said he knew they had been through the process for a long time but it had not been for Council, as they had just received this in the last couple of weeks. He said he was not able to vote in favor of something that he didn't have all the information on but was ready to support the motion to postpone.

Roll call vote on CM-09-07-094 **Yeas: Crawford, Margolis, Mutch, Staudt, Landry, Gatt**
Nays: None
Abstain: Burke

Member Burke returned to Council Chambers.

- 2. Approval of cost participation agreement with the Road Commission for Oakland County for the Novi Road/Grand River to Twelve Mile Road repaving project (phase 1) in the amount of \$415,500.**

CM-09-07-095 **Moved by Margolis, seconded by Gatt; CARRIED UNANIMOUSLY:**
To approve cost participation agreement with the Road Commission for Oakland County for the Novi Road/Grand River to Twelve Mile Road repaving project (phase 1) in the amount of \$415,500.

Roll call vote on CM-09-07-095 **Yeas: Margolis, Mutch Staudt, Landry, Gatt, Burke, Crawford**
Nays: None

- 3. Approval of contract award to University Lithoprinters, Inc., the second low bidder, for design and printing of the Annual Calendar in the amount of \$21,100 and approval of a contract award to Accuform, the second low bidder, for design and printing of Engage! and Enhance in the amount of \$83,681 for a total of \$104,781 for one year with the option for two renewals.**

Ms. Antil said they tried to get their printing to a very concise schedule and believed this option gave them the best schedule and timing for all of the publications.

Member Margolis commented that during Audience Comment they heard from Dearborn Lithograph, one of the bidders. She said basically the information in Council packets was the concern about getting the production of publications on time, as they were pretty time sensitive.

Sheryl Walsh said Dearborn Lithograph, in the past, had printed Update Novi and the previous Parks and Recreation Guide. She said they had various experiences with not getting the items on press when promised by the sales representative, and not delivering on time. Ms. Walsh said the contract expired; it went to bid and was awarded to other printers whose contracts had since expired, so it went out to bid again. She said another reason was the Accuform bid came back with a 10 day turn around time and the Dearborn Lithograph with a 15 day turn around time. She said the items they were printing had certain target dates to get into homes and were very time sensitive. She said they were coordinating information from a variety of departments and looking specifically for Parks and Recreation information and getting on line registration going, etc. She said that extra five days was crucial to them in many instances.

CM-09-07-096 Moved by Margolis, seconded by Crawford; **CARRIED UNANIMOUSLY:** To approve contract award to University Lithoprinters, Inc., the second low bidder, for design and printing of the Annual Calendar in the amount of \$21,100 and approval of a contract award to Accuform, the second low bidder, for design and printing of Engage! and Enhance in the amount of \$83,681 for a total of \$104,781 for one year with the option for two renewals.

Roll call vote on CM-09-07-096 Yeas: Mutch, Landry, Gatt, Crawford, Margolis
Nays: Staudt, Burke

AUDIENCE COMMENT - None

MATTERS FOR COUNCIL ACTION – Part II

4. Appointments to Boards and Commissions

Mayor Landry nominated David Baratta for the Planning Commission.

CM-09-07-097 Moved by Gatt, seconded by Burke; **CARRIED UNANIMOUSLY:** To appoint David Baratta to the Planning Commission.

Roll call vote on CM-09-07-097 Yeas: Staudt, Landry, Gatt, Burke, Crawford, Margolis, Mutch
Nays: None

Mayor Landry nominated Michael Lynch to the Planning Commission.

CM-09-07-098 Moved by Gatt, seconded by Burke; **CARRIED UNANIMOUSLY:** To appoint Michael Lynch to the Planning Commission.

Roll call vote on CM-09-07-098 Yeas: Landry, Gatt, Burke, Crawford, Margolis, Mutch, Staudt
Nays: None

Mayor Landry nominated Mark Pehrson to the Planning Commission.

CM-09-07-099 Moved by Gatt, seconded by Margolis; **CARRIED UNANIMOUSLY:** To appoint Mark Pehrson to the Planning Commission.

Roll call vote on CM-09-07-099 Yeas: Gatt, Burke, Crawford, Margolis, Mutch, Staudt, Landry
Nays: None

discussion relating to an initiative for Enhanced Member Engagement approach. She said their recent member satisfaction poll suggested that members wanted to engage with and expand their participation with SEMCOG. So, SEMCOG was proposing to add issue specific task forces, training and forums and Council and staff should stay tuned for opportunities to become more enhanced and engaged than they were before.

Member Crawford reported that the MML (Michigan Municipal League) Energy and Technology Committee initiated an energy rate case, which was before the Michigan Public Service Commission. She said several members on the committee were concerned that municipalities paid inordinate amounts for energy. Therefore, they formed an alliance with 75 Michigan communities and were pursuing this energy rate case. She suggested Council might want to look into this. The committee also discussed at great length the National Climate Change Legislation, which was a high priority of the Obama Administration and was quite controversial. She said there might be some good things in the proposed legislation for Michigan communities. Member Crawford said grants from State Energy and Environmental Development Committee (SEED) would establish accounts that would serve as the state repository for managing and accounting for emission allowances. She said there were several sections of the proposed bill pertaining to residential and commercial buildings and they wanted to establish building retrofit programs. Member Crawford said there were many other programs listed under the proposed legislation but it was not in its final form as yet. She noted that Michigan was pushing for permanent funding rather than a one time grant for projects and they were told by MML that Michigan communities should position themselves to apply for the Recovery Act Climate Change Funds. However, no one seemed to know for uncertain what the programs were and what would be funded.

Member Crawford said Energy Committee members who were from smaller Michigan cities had asked MML to draft a bill regarding public notification, which would allow communities to use more options in posting public notices. She said they were required by law to post notices in newspapers but with newspapers going to electronic printing or going out of business, they were hard pressed to remain with the legal postings. She said she had seen the draft form of the bill and expected it to go before the House and Senate once they found legislatures who would endorse it.

MAYOR AND COUNCIL ISSUES - None

CONSENT AGENDA REMOVALS FOR COUNCIL ACTION - None

COMMUNICATIONS:

AUDIENCE COMMENT - None

ADJOURNMENT

There being no further business to come before Council, the meeting was adjourned at 9:31 P.M.

David Landry, Mayor

Maryanne Cornelius, City Clerk

Transcribed by Charlene McLean

Date approved: July 20, 2009