

CITY OF MONTROSE

MEMORANDUM

DATE: May 18, 2026

TO: Honorable Mayor Banks and Members of the City Council

FROM: Joe Karlichek, City Manager

SUBJECT: Request for Equitable Retirement Contribution Payout and Inclusion of City Manager Position in MERS

Honorable Mayor and Members of Council,

The purpose of this memorandum is to formally request City Council consideration and approval of a lump-sum retirement benefit correction related to my City Manager Employment Agreement with the City of Montrose.

My employment agreement provides that:

"The Manager will receive any retirement benefits as is provided for full-time employees under the City's employee personnel handbook, as amended."

Based on this language, it was my reasonable understanding that retirement benefits were included as part of my employment agreement and total compensation package. However, it has since been determined that the City Manager position was not enrolled in MERS or otherwise administered for retirement benefit purposes during my employment.

Reliance Upon Contract as Presented

I first began serving as Interim City Manager on **May 27, 2025**. The terms of my interim appointment were understood to be consistent with the terms later reflected in the City Manager Employment Agreement. Following a lengthy City Council meeting that evening, I was presented with the employment agreement by the then-City Attorney and signed the agreement in good faith based upon the terms provided by the City.

At the time the agreement was presented and executed, I had no notice or practical way of knowing that the City Manager position had not been enrolled in MERS or was not otherwise being administered for retirement benefit purposes. The agreement represented that the City Manager would receive retirement benefits as provided to full-time employees under the City's employee personnel handbook. If the City intended to exclude the City Manager from retirement benefits, that exclusion should have been expressly stated in the agreement.

My understanding and reliance upon the agreement were reasonable because the agreement was prepared, presented, and approved through the City's formal process. This request therefore

seeks an equitable correction for a benefit that was represented in the approved employment agreement but not provided.

This issue appears to be the result of an administrative or policy inconsistency that predated my tenure. This request is not a request for severance, a bonus, or additional compensation beyond the agreement. Rather, it is an equitable correction for a retirement benefit that was represented in the employment agreement but not provided.

City Attorney John J. Ryan has reviewed the matter and has indicated that he has no legal issue with my request for a lump-sum payment in lieu of retirement payments that were believed to be made, promised under the agreement, and not received. He further indicated that he believes the request is fair, subject to City Council approval.

Finance Director/Treasurer Kim Lynch reviewed the City's current MERS actuarial valuation report and the calculation methodology associated with this request. Based upon that review, she found the estimated retirement contribution equivalent request to be accurate.

Based upon the City's current MERS actuarial valuation report, historical employer contribution rates, and my annual compensation, the estimated employer retirement contribution equivalent attributable to the City Manager position is estimated between approximately **\$6,000 and \$7,500** for the period of **May 27, 2025 through June 19, 2026**, subject to final payroll and finance verification.

The estimated range is supported by the following calculation methodology:

- Approximate annual compensation: **\$74,000**
- Estimated employer contribution range: approximately **8%–10%**, based upon current MERS funding assumptions and contribution structures reflected within the actuarial valuation report
- Estimated annual employer contribution equivalent:
 - **$\$74,000 \times 8\% = \$5,920$**
 - **$\$74,000 \times 10\% = \$7,400$**

Accordingly, the estimated equitable employer retirement contribution equivalent falls within the approximate range of **\$6,000 to \$7,500**.

For clarity, this request is limited to correcting the value of the retirement benefit that was contractually represented but not administered. It does not alter my resignation, does not request severance, and does not seek any benefit beyond what was reasonably understood under the terms of the approved employment agreement.

Recommendation

- **Recommendation #1:** I respectfully recommend that City Council approve a lump-sum retirement benefit correction payable to **Joe Karlichek** in an amount **not to exceed Seven Thousand Five Hundred Dollars (\$7,500)**, subject to final payroll, finance, and applicable withholding verification. I further recommend that the approved payment be processed through payroll and subject to all applicable taxes, withholdings, and reporting requirements.
- **Recommendation #2:** I recommend that the City include the City Manager position formally in MERS to avoid ambiguity going forward.



Municipal Employees' Retirement System of Michigan

Annual Actuarial Valuation Report
December 31, 2024 - Montrose, City of (2509)



Gains Policy at the February 17, 2022 Board meeting. The Dedicated Gains Policy automatically reduces the assumed rate of investment return in conjunction with recognizing excess investment gains to mitigate the impact on employer contributions the first year. The policy was effective with the December 31, 2021 annual actuarial valuation.

The Michigan Department of Treasury provides required assumptions to be used for purposes of Public Act 202, of 2017, reporting. These assumptions are for reporting purposes only and do not impact required contributions. Please refer to the State Reporting page found at the end of this report for information for this filing.

For a full list of all the assumptions used, please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:

<https://www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2024AnnualActuarialValuation-Appendix.pdf>

The actuarial assumptions used for this valuation, including the assumed rate of investment return, are reasonable for purposes of the measurement. The combined effect of the assumptions is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to the Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the "Low-Default-Risk Obligation Measure" (LDRM). The LDRM calculation is provided in aggregate, along with aggregate employer results, in a separate report titled "Summary Report of the 79th Annual Actuarial Valuations," and will be available on the MERS website during the fall of 2025.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of Montrose, City of as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

Rebecca L. Stouffer, Mark Buis, Kurt Dosson, and Shana M. Neeson are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor. GRS maintains independent consulting agreements with certain local units of government for services unrelated to the actuarial consulting services provided in this report.

The Retirement Board of the Municipal Employees' Retirement System of Michigan confirms that the System provides for payment of the required employer contribution as described in Section 20m of Act No. 314 of 1965 (MCL 38.1140m).

This information is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting, or investment advice.



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Required Employer Contributions

Your required employer contributions are shown in the following table. Employee contributions, if any, are in addition to the employer contributions.

Effective with the December 31, 2021 valuation, the MERS Retirement Board adopted a Dedicated Gains Policy which allows for recognition of asset gains in excess of a set threshold in combination with lowering the assumed rate of investment return. Following the completion of an Experience Study and effective with the 2024 valuations, the MERS Retirement Board adopted updated demographic and economic assumptions. **The combined impact of the implementation of updated assumptions and application of the Dedicated Gains Policy is shown in the contribution requirements below.**

	Percentage of Payroll		Monthly \$ Based on Projected Payroll	
Valuation Date:	12/31/2024	12/31/2023	12/31/2024	12/31/2023
Fiscal Year Beginning:	July 1, 2026	July 1, 2025	July 1, 2026	July 1, 2025
Division				
02 - Police	-	-	\$ 0	\$ 0
11 - General	6.68%	5.24%	1,421	1,009
Total Municipality -				
Estimated Monthly Contribution			\$ 1,421	\$ 1,009
Total Municipality -				
Estimated Annual Contribution			\$ 17,052	\$ 12,108

Employee contribution rates:

Valuation Date:	Employee Contribution Rate	
	12/31/2024	12/31/2023
Division		
02 - Police	0.00%	0.00%
11 - General	8.00%	8.00%

The employer may contribute more than the minimum required contributions, as these additional contributions will earn investment income and may result in lower future contribution requirements. Employers making contributions in excess of the minimum requirements may elect to apply the excess contribution immediately to a particular division, or segregate the excess into one or more "Surplus" divisions. An election in the first case would immediately reduce any unfunded accrued liability and lower the amortization payments throughout the remaining amortization period. Additional contribution into one or more Surplus divisions would not immediately lower future contributions, however the assets from the Surplus division(s) could be transferred to an unfunded division in the future to reduce the unfunded liability in future years, or to be used to pay all or a portion of the minimum required contribution in a future year. For purposes of this report, the assets in any Surplus division have been included in the municipality's total assets, unfunded accrued liability, and funded status; however, these assets are not used in calculating the minimum required contribution.

MERS strongly encourages employers to contribute more than the minimum contribution shown above. With the implemented dedicated gains policy, market gains and losses will continue to be smoothed over five years; however, excess returns are used to lower the investment assumption. Thus, there will be fewer gains to smooth in down markets. Having additional funds in Surplus divisions will assist plans with navigating potential short-term market volatility.

Assuming that experience of the plan meets actuarial assumptions:

- To accelerate to a 100% funding ratio in 10 years, estimated monthly employer contributions for the fiscal year beginning in 2026 for the entire employer would be \$1,711, instead of \$1,421.



The dedicated gains policy was implemented with the December 31, 2021 annual actuarial valuation and was reflected in the computed employer contribution amounts beginning in fiscal year 2023.

Investment performance measured for the one-year period ending December 31, 2024 resulted in no change to the assumed rate of investment return of 6.93%.

On February 12, 2025, the MERS Retirement Board adopted the results of an Experience Study covering the period, January 1, 2019 through December 31, 2023. The study examined recent experience and trends, with consideration for the COVID-19 pandemic. The study resulted in incremental assumption updates, with limited impact on employer contributions and funded status, for most employers when results are measured on the new assumption basis. The results of this study are reflected in the December 31, 2024 annual actuarial valuations.

MI Local Retirement Grant

Michigan lawmakers adopted Public Act 119 of 2023, which provided relief to local units of government with the most significant burden from qualified pension and retirement health benefit systems on their annual budget and revenues. As authorized under Public Act 119 of 2023, Section 990, the state pension and OPEB grants were awarded to eligible local governments in September 2024.

A smaller number of municipalities qualified for the *MI Local Retirement Grant* than the *Protecting MI Pension Grant Program* of the previous year. Pension funds received by municipalities were deposited into the MERS trust during September 2024 and are reflected in this valuation.

Comments on Asset Smoothing

To avoid dramatic spikes and dips in annual contribution requirements due to short-term fluctuations in asset markets, MERS applies a technique called **asset smoothing**. This spreads out each year's investment gains or losses over the prior year and the following four years. After initial application of asset smoothing, remaining excess market gains are used to buy down the assumed rate of investment return and increase the level of valuation assets, to the extent allowed by the dedicated gains policy. This smoothing method is used to determine your actuarial value of assets (valuation assets), which is then used to determine both your funded ratio and your required contributions. **The (smoothed) actuarial rate of return for 2024 was 3.79%, while the actual market rate of return was 7.28%.** The actuarial rate of return is below the assumed rate of return, which will put upward pressure on the employer contribution requirements determined in this valuation. To see historical details of the market rate of return compared to the smoothed actuarial rate of return, refer to this report's Appendix or view the "[How Smoothing Works](#)" video on the [Defined Benefit resource page](#) of the MERS website.

As of December 31, 2024, the actuarial value of assets is 107% of market value due to asset smoothing. This means that there are deferred investment losses, which will put upward pressure on contributions in the short term.

If the December 31, 2024 valuation results were based on market value instead of actuarial value:

- The funded percent of your entire municipality would be 86% (instead of 92%); and
- Your total employer contribution requirement for the fiscal year starting July 1, 2026 would be \$21,348 (instead of \$17,052).



Projection Scenarios

The next two pages show projections of the plan's funded ratio and computed employer contributions under the actuarial assumptions used in the valuation and alternate economic assumption scenarios. All three projections account for the past investment experience that will continue to affect the actuarial rate of return in the short term.

The 6.93% scenario provides an estimate of computed employer contributions based on current actuarial assumptions, and a projected 6.93% market return. The other two scenarios may be useful if the municipality chooses to budget more conservatively and make contributions in addition to the minimum requirements. The 5.93% and 4.93% projection scenarios provide an indication of the potential required employer contribution if these assumptions were met over the long term.

Valuation Year Ending 12/31	Fiscal Year Beginning 7/1	Actuarial Accrued Liability	Valuation Assets ²	Funded Percentage	Estimated Annual Employer Contribution
6.93%¹					
2024	2026	\$ 939,481	\$ 864,248	92%	\$ 17,052
2025	2027	\$ 980,000	\$ 879,000	90%	\$ 19,800
2026	2028	\$ 1,020,000	\$ 888,000	87%	\$ 23,100
2027	2029	\$ 1,060,000	\$ 931,000	88%	\$ 23,800
2028	2030	\$ 1,100,000	\$ 977,000	89%	\$ 24,500
2029	2031	\$ 1,140,000	\$ 1,030,000	90%	\$ 25,200
5.93%¹					
2024	2026	\$ 1,060,428	\$ 864,248	81%	\$ 32,208
2025	2027	\$ 1,100,000	\$ 871,000	79%	\$ 35,700
2026	2028	\$ 1,150,000	\$ 879,000	77%	\$ 39,400
2027	2029	\$ 1,190,000	\$ 930,000	78%	\$ 40,600
2028	2030	\$ 1,240,000	\$ 986,000	80%	\$ 41,900
2029	2031	\$ 1,290,000	\$ 1,050,000	81%	\$ 43,100
4.93%¹					
2024	2026	\$ 1,207,440	\$ 864,248	72%	\$ 49,728
2025	2027	\$ 1,260,000	\$ 865,000	69%	\$ 54,200
2026	2028	\$ 1,310,000	\$ 876,000	67%	\$ 58,500
2027	2029	\$ 1,360,000	\$ 938,000	69%	\$ 60,300
2028	2030	\$ 1,410,000	\$ 1,000,000	71%	\$ 62,000
2029	2031	\$ 1,460,000	\$ 1,080,000	74%	\$ 63,900

¹ Represents both the interest rate for discounting liabilities and the future investment return assumption on the Market Value of assets.

² Valuation Assets do not include assets from Surplus divisions, if any.

Table 1: Employer Contribution Details for the Fiscal Year Beginning July 1, 2026

Division	Total Normal Cost	Employee Contribution Rate	Employer Contributions ¹			Blended ER Rate ⁵	Employee Contribution Conversion Factor ²
			Employer Normal Cost ⁶	Payment of the Unfunded Accrued Liability ⁴	Computed Employer Contribution		
Percentage of Payroll							
02 - Police	0.00%	0.00%					
11 - General	10.56%	8.00%	2.56%	4.12%	6.68%		0.87%
Estimated Monthly Contribution ³							
02 - Police			\$ 0	\$(480)	\$ 0		
11 - General			545	876	1,421		
Total Municipality			\$ 545	\$ 396	\$ 1,421		
Estimated Annual Contribution ³			\$ 6,540	\$ 4,752	\$ 17,052		

¹ The above employer contribution requirements are in addition to the employee contributions, if any.

² If employee contributions are increased/decreased by 1.00% of pay, the employer contribution requirement will decrease/increase by the Employee Contribution Conversion Factor. The conversion factor is usually under 1% because employee contributions may be refunded at termination of employment and not used to fund retirement pensions. Employer contributions will all be used to fund pensions.

³ For divisions that are open to new hires, estimated contributions are based on projected fiscal year payroll. Actual contributions will be based on actual reported monthly pays, and will be different from the above amounts. For divisions that will have no new hires (i.e., closed divisions), invoices will be based on the above dollar amounts which are based on projected fiscal year payroll. See description of Open Divisions and Closed Divisions in the Appendix.

⁴ Note that if the overfunding credit is larger than the normal cost, the full credit is shown above but the total contribution requirement is zero. This will cause the displayed normal cost and unfunded accrued liability contributions not to add across.

⁵ For linked divisions, the employer will be invoiced the Computed Employer Contribution rate shown above for each linked division (a contribution rate for the open division; a contribution dollar for the closed-but-linked division), unless the employer elects to contribute the Blended Employer Contribution rate shown above, by contacting MERS at 800-767-MERS (6377).

⁶ For divisions with a negative employer normal cost, employee contributions cover the normal cost and a portion of the payment of any unfunded accrued liability.

Please see the Comments on Asset Smoothing in the Executive Summary of this report.



Table 3: Participant Summary

Division	2024 Valuation		2023 Valuation		2024 Valuation		
	Number	Annual Payroll ¹	Number	Annual Payroll ¹	Average Age	Average Benefit Service ²	Average Eligibility Service ²
02 - Police							
Active Employees	0	\$ 0	0	\$ 0	0.0	0.0	0.0
Vested Former Employees	0	0	0	0	0.0	0.0	0.0
Retirees and Beneficiaries	2	14,661	2	14,661	73.6		
Pending Refunds	0		0				
11 - General							
Active Employees	4	\$ 237,029	4	\$ 214,641	49.5	10.5	11.0
Vested Former Employees	5	17,989	5	17,989	49.1	5.5	11.3
Retirees and Beneficiaries	4	29,578	4	29,563	68.5		
Pending Refunds	0		0				
Total Municipality							
Active Employees	4	\$ 237,029	4	\$ 214,641	49.5	10.5	11.0
Vested Former Employees	5	17,989	5	17,989	49.1	5.5	11.3
Retirees and Beneficiaries	6	44,239	6	44,224	70.2		
Pending Refunds	0		0				
Total Participants	15		15				

¹ Annual payroll for active employees; annual deferred benefits payable for vested former employees; annual benefits being paid for retirees and beneficiaries.

² Descriptions can be found under Miscellaneous and Technical Assumptions in the Appendix.

Table 5: Flow of Valuation Assets

Year Ended 12/31	Employer Contributions		Employee Contributions	Investment Income (Valuation Assets)	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
	Required	Additional						
2014	\$ 47,738	\$ 0	\$ 4,611	\$ 29,109	\$ (70,172)	\$ 0	\$ 0	\$ 528,649
2015	51,098	0	4,118	25,986	(71,201)	0	0	538,650
2016	46,931	2,250	5,883	26,397	(71,734)	(4,121)	0	544,256
2017	52,554	8,678	11,577	32,690	(75,718)	0	0	574,037
2018	58,400	9,036	13,669	22,453	(66,010)	0	0	611,585
2019	51,505	3,794	13,961	29,765	(74,822)	0	0	635,788
2020	50,539	1,512	14,548	51,768	(73,077)	0	0	681,078
2021	40,006	523	15,267	116,886	(54,983)	0	0	798,777
2022	22,674	0	16,095	26,787	(54,039)	0	0	810,294
2023	15,900	0	18,666	42,219	(42,772)	0	0	844,307
2024	14,268	0	18,638	32,213	(44,239)	(939)	0	864,248

Notes:

Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and employee payments for service credit purchases (if any) that the governing body has approved.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Asset balance includes assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.



Table 7: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2010	\$ 1,009,447	\$ 499,100	49%	\$ 510,347
2011	1,027,749	503,062	49%	524,687
2012	1,049,670	507,619	48%	542,051
2013	1,056,671	517,363	49%	539,308
2014	1,109,467	528,649	48%	580,818
2015	1,240,757	538,650	43%	702,107
2016	1,083,062	544,256	50%	538,806
2017	985,540	574,037	58%	411,503
2018	950,222	611,585	64%	338,637
2019	993,991	635,788	64%	358,203
2020	835,381	681,078	82%	154,303
2021	901,817	798,777	89%	103,040
2022	878,087	810,294	92%	67,793
2023	879,679	844,307	96%	35,372
2024	939,481	864,248	92%	75,233

Notes: Actuarial assumptions were revised for the 2010, 2011, 2012, 2015, 2019, 2020, 2021, 2023, and 2024 actuarial valuations.

The Valuation Assets include assets from Surplus divisions, if any.

Years where historical information is not available will be displayed with zero values.

Throughout this report are references to valuation results generated prior to the 2018 valuation date. Results prior to 2018 were received directly from the prior actuary or extracted from the previous valuation system by MERS's technology service provider.

Division 11 - General

Table 8-11: Actuarial Accrued Liabilities - Comparative Schedule

Valuation Date December 31	Actuarial Accrued Liability	Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
2014	\$ 894,518	\$ 417,056	47%	\$ 477,462
2015	1,016,793	427,497	42%	589,296
2016	862,020	430,814	50%	431,206
2017	769,217	455,932	59%	313,285
2018	737,210	487,970	66%	249,240
2019	780,334	502,387	64%	277,947
2020	627,206	529,387	84%	97,819
2021	694,602	626,182	90%	68,420
2022	676,875	652,088	96%	24,787
2023	761,549	691,799	91%	69,750
2024	825,974	715,099	87%	110,875

Notes: Actuarial assumptions were revised for the 2015, 2019, 2020, 2021, 2023, and 2024 actuarial valuations.

The percent funded does not reflect valuation assets from Surplus divisions, if any.

Table 9-11: Computed Employer Contributions - Comparative Schedule

Valuation Date December 31	Active Employees		Computed Employer Contribution ¹	Employee Contribution Rate ²
	Number	Annual Payroll		
2014	6	\$ 228,526	18.16%	2.00%
2015	4	149,870	31.19%	2.00%
2016	4	159,165	19.23%	6.00%
2017	4	158,581	13.10%	8.00%
2018	4	170,865	10.39%	8.00%
2019	4	174,506	12.64%	8.00%
2020	4	182,121	4.60%	8.00%
2021	4	194,677	4.30%	8.00%
2022	4	201,190	2.82%	8.00%
2023	4	214,641	5.24%	8.00%
2024	4	237,029	6.68%	8.00%

¹ For open divisions, a percent of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

² For each valuation year, the computed employer contribution is based on the employee rate. If the employee rate changes during the applicable fiscal year, the computed employer contribution will be adjusted.

Note: The contributions shown in Table 9 reflect the full employer contribution requirement.

See the Benefit Provision History, later in this report, for past benefit provision changes.

Years where historical information is not available will be displayed with zero values.

Division 11 - General

Table 10-11: Layered Amortization Schedule

Type of UAL	Date Established	Original Balance ¹	Original Amortization Period ²	Amounts for Fiscal Year Beginning 7/1/2026		
				Outstanding UAL Balance ³	Remaining Amortization Period ²	Annual Amortization Payment
Initial	12/31/2015	\$ 589,296	23	\$ 598,003	14	\$ 55,692
(Gain)/Loss	12/31/2016	(181,687)	22	(192,017)	14	(17,880)
Amendment	12/31/2016	(3,891)	22	(4,110)	14	(384)
(Gain)/Loss	12/31/2017	(113,469)	21	(119,119)	14	(11,100)
Amendment	12/31/2017	(3,191)	21	(3,338)	14	(312)
(Gain)/Loss	12/31/2018	(51,773)	20	(54,103)	14	(5,040)
(Gain)/Loss	12/31/2019	9,332	19	9,669	14	900
Assumption	12/31/2019	26,109	19	25,700	14	2,400
Experience	12/31/2020	(180,614) ¹	18	(188,512)	14	(17,556)
Experience	12/31/2021	(16,747)	17	(17,566)	14	(1,632)
Experience	12/31/2022	(33,950)	16	(36,098)	14	(3,360)
Experience	12/31/2023	48,816	15	52,778	14	4,920
Experience	12/31/2024	39,576	15	43,760	15	3,864
Total				\$ 115,047		\$ 10,512

¹ For each type of UAL (layer), this is the original balance as of the date the layer was established.

² According to the MERS amortization policy, each type of UAL (layer) is amortized over a specific period (see Appendix on MERS website).

³ This is the remaining balance as of the valuation date, projected to the beginning of the fiscal year shown above.

The unfunded accrued liability (UAL) as of December 31, 2024 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2024 valuation to take into account the expected future contributions that are based on past valuations. Each type of UAL (layer) is amortized over the appropriate period. Please see the Appendix on the MERS website for a detailed description of the amortization policy.

Note: The original balance and original amortization periods prior to 12/31/2018 were received from the prior actuary.

Benefit Provision History

The following benefit provision history is provided by MERS. Any corrections to this history or discrepancies between this information and information displayed elsewhere in the valuation report should be reported to MERS. All provisions are listed by date of adoption.

02 - Police

12/1/2020	Non-Accelerated Amortization
12/31/2018	Accelerated to 5-year Amortization
12/1/2016	Service Credit Purchase Estimates - Yes
10/2/1997	Member Contribution Rate 0.00%
7/1/1994	Member Contribution Rate 5.30%
1/1/1994	Member Contribution Rate 14.30%
12/1/1991	1.70% Multiplier
12/1/1991	6 Year Vesting
12/1/1991	Benefit F50 (With 25 Years of Service)
12/1/1991	Benefit FAC-3 (3 Year Final Average Compensation)
12/1/1991	Fiscal Month - July
12/1/1991	Member Contribution Rate 13.40%
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
	Normal Retirement Age (DB) - 60

11 - General

1/1/2021	Contract Employees - Included
1/1/2021	Custom Wages
1/1/2021	Service Credit Qualification - 80 hours
7/1/2017	Participant Contribution Rate 8%
12/1/2016	Service Credit Purchase Estimates - Yes
8/1/2016	Participant Contribution Rate 6%
11/1/2012	Member Contribution Rate 2.00%
12/9/2003	Day of work defined as 8 Hours a Day for All employees.
12/31/1995	Member Contribution Rate 0.00%
7/1/1994	1.70% Multiplier
7/1/1994	6 Year Vesting
7/1/1994	Benefit F50 (With 25 Years of Service)
7/1/1994	Benefit FAC-5 (5 Year Final Average Compensation)
7/1/1994	Member Contribution Rate 1.90%
12/1/1991	Fiscal Month - July
	Early Reduced (.5%) at Age 50 with 25 Years or Age 55 with 15 Years
	Normal Retirement Age (DB) - 60

Risk Commentary

Determination of the accrued liability, the employer contribution, and the funded ratio requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability, the actuarially determined contribution and the funded ratio that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

- **Investment Risk** – actual investment returns may differ from the expected returns;
- **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
- **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
- **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
- **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

State Reporting

The following information has been prepared to provide some of the information necessary to complete the Public Act 202 pension reporting requirements for the State of Michigan's Local Government Retirement System Annual Report (Form No. 5572). Additional resources are available at www.mersofmich.com and on the State [website](#).

Form 5572		
Line Reference	Description	Result
10	Membership as of December 31, 2024	
11	Indicate number of active members	4
12	Indicate number of inactive members (excluding pending refunds)	5
13	Indicate number of retirees and beneficiaries	6
14	Investment Performance for Calendar Year Ending December 31, 2024 ¹	
15	Enter actual rate of return - prior 1-year period	7.72%
16	Enter actual rate of return - prior 5-year period	6.91%
17	Enter actual rate of return - prior 10-year period	6.62%
18	Actuarial Assumptions	
19	Actuarial assumed rate of investment return ²	6.93%
20	Amortization method utilized for funding the system's unfunded actuarial accrued liability, if any	Level Percent
21	Amortization period utilized for funding the system's unfunded actuarial accrued liability, if any ³	15
22	Is each division within the system closed to new employees? ⁴	No
23	Uniform Assumptions	
24	Enter retirement pension system's actuarial value of assets using uniform assumptions	\$838,537
25	Enter retirement pension system's actuarial accrued liabilities using uniform assumptions ⁵	\$939,481
27	Actuarially Determined Contribution (ADC) using uniform assumptions, Fiscal Year Ending June 30, 2025	\$17,952

¹ The Municipal Employees' Retirement System's investment performance has been provided to GRS from MERS Investment Staff and is included here for reporting purposes. The investment performance figures reported are net of investment expenses on a rolling calendar year basis for the previous 1-, 5-, and 10-year periods as required under PA 530.

² Net of administrative and investment expenses.

³ Populated with the longest amortization period remaining in the amortization schedule, across all divisions in the plan. This is when each division and the plan in total is expected to reach 100% funded if all assumptions are met.

⁴ If all divisions within the employer are closed, "yes." If at least one division is open (including shadow divisions), "no."

⁵ Line 25 actuarial accrued liability is determined under PA 202 uniform assumptions which may differ from the valuation assumptions. In accordance with the March 4, 2025 memo on the selection of Uniform Assumptions, "[f]or retirement systems that utilize an investment rate of return that is less than 7.00% for funding purposes, the local government should use the lower investment rate of return for the uniform assumption as well." In particular, the assumed rate of return for PA 202 purposes is 6.93%.

CITY OF MONTROSE MEMORANDUM

Date: May 2, 2026

To: Mayor Banks and Montrose City Council

From: Joe Karlichek, City Manager

Subject: Consider Approval of Labor Agreement – Local Union No. 7-SM (SMART)

City Administration is requesting formal approval of the labor agreement with Local Union No. 7-SM, AFL-CIO of the International Sheet Metal, Air, Rail and Transportation Workers (SMART).

This action follows the direction provided by City Council at the previous meeting, during which Council entered into Closed Session to review the terms of the agreement. Upon returning to Open Session, City Council unanimously approved the contract in principle. The item now before you is to complete the formal approval process and authorize execution of the agreement.

The contract outlines the terms and conditions of employment consistent with discussions held and direction provided by Council. The agreement is scheduled to take effect on **July 1, 2026**, and will govern the applicable bargaining unit moving forward.

Formal approval at this time ensures proper documentation of Council's prior action and allows for timely implementation of the agreement.

Recommendation: City Administration respectfully recommends that the Mayor and City Council formally approve the labor agreement with Local Union No. 7-SM (SMART), effective July 1, 2026.

APPENDIX A
BASE HOURLY WAGE RATE OF PAY SCHEDULE FOR UNION EMPLOYEES

For the duration of this Agreement, wage rates for new employees covered by this Agreement shall be as follows:

CLASSIFICATION	7/1/2026	7/1/2027	7/1/2028
Laborer 1/DPW Supervisor	\$35.57	\$37.57	\$39.57
Laborer II	\$31.07	\$33.07	\$35.07
Secretary	\$22.22	\$24.22	\$26.22

50% reduction in overtime (as of July 2026)

Longevity pay to follow Administrative Code.

Contract Signing Bonus: \$1,500 per union employee*

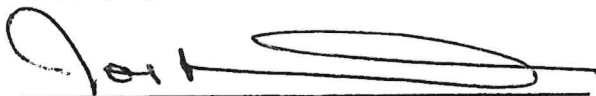
*Paid upon the first payroll of the approval of the agreement

CURRENT SENIORITY LIST

NAME	CLASSIFICATION	DATE OF HIRE
Christine Schultz	Secretary	4-05-2024
Mitch Biggs	Laborer II	11-01-2016
Sam Spence	Laborer 1/DPW Supervisor	12-23-2013

Dated this July____-2026

CITY OF MONTROSE:



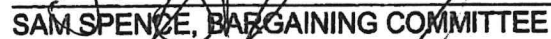
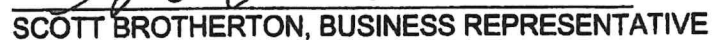
JOE KARLICHEK, CITY MANAGER



CHRISTINA M. RUSH, CITY CLERK

THOMAS J BANKS, CITY MAYOR

Local Union No. 7-SM of the International Association
of Sheet Metal, Air, Rail and Transportation Workers:


SAMUAL J. FULLER, BUSINESS MANAGER
SAM SPENCE, BARGAINING COMMITTEE
SCOTT BROTHERTON, BUSINESS REPRESENTATIVE

**AGREEMENT
BETWEEN
THE**

CITY OF MONTROSE

AND THE

**LOCAL UNION NO. 7-SM, AFL-CIO OF THE
INTERNATIONAL ASSOCIATION OF
SHEET METAL, AIR, RAIL AND TRANSPORTATION WORKERS**

COVERING PERIOD FROM

JULY 1, 2026- JUNE 30, 2029

AGREEMENT

Agreement made and entered into as of July 1, 2026 by and between the City of Montrose, Michigan, hereinafter referred to as the "Employer", and Local Union No. 7-SM of the International Association of Sheet Metal, Air, Rail and Transportation Workers, AFL-CIO, hereinafter referred to as the "Union" with all provisions adhered to either immediately or as soon as reasonably possible hereafter.

ARTICLE 1

PREAMBLE & MANAGEMENT RIGHTS

Section 1. This agreement entered into by the parties has as its purpose the promotion of harmonious relations between the Employer and the Union, the establishment of an equitable and peaceful procedure for the resolution of differences and the establishment of rates of pay, hours of work and other conditions of employment.

Section 2. The Employer, on its own behalf of its electors, hereby retains and reserves onto itself without limitations all powers, rights, authority, duties and responsibilities conferred upon and vested in it by the laws and the Constitutions of the State of Michigan and United States, the City Charter, the City of Montrose Ordinances, as amended, and any resolutions passed by Elected City Council Officials. All rights, which originally vest in and are exercised by Employers, except such as are specifically relinquished within this agreement, are reserved and vested in the Employer. The Employer has the right to determine hours of work and work schedules. The Employer has the right to determine methods and processes by which such work is performed, and to solely determine if such work is to be performed. The Employer has the right to layoff personnel. The Employer has the right to subcontract provided such subcontracting does not result in the layoff of, or reduce the normal working hours of, any member of the Union. The Employer has the right to promulgate reasonable rules and regulations affecting the employees covered by this agreement. The DPW Supervisor/Laborer I shall continue working as in the past, without expansion. The Employer has the right to hire, select, and direct the work force and to assign, promote, and transfer employees. The Employer has the right to determine the duties and work assignments of employees and to discipline and discharge for just cause employees covered by this agreement. The foregoing rights are by way of illustration only such rights and shall not be exercised in any manner, which is inconsistent with this agreement.

ARTICLE 2

RECOGNITION

Section 1. Collective Bargaining Units. Pursuant to the provisions of Act 379 of the Public Acts of 1965, as amended, the Employer hereby recognizes the Union as the exclusive agent for purpose of collective bargaining with respect to the rates of pay, wages, hours of employment and other conditions of employment for all City employees in the following described unit: all laborers, and secretaries excluding supervisors, guards and all others.

ARTICLE 3

UNION SECURITY

Section 1. Unless otherwise prohibited by state or federal laws shall only be in effect to the extent allowed by Michigan law and judicial decision, employees covered by this agreement at the time it becomes effective and who are members of the Union at that time shall be required, as a condition of continued employment, to continue membership in the Union for the duration of this agreement.

Section 4. LOCAL APPRENTICE FUND - Unless otherwise prohibited by state or federal laws shall only be in effect to the extent allowed by Michigan law and judicial decision. The Employer agrees to contribute monthly to the Local JATC Training Fund in the amount of \$0.02 on hours capped at no more than 40 hours per week, which amount will be deducted from the classifications of the Laborer I and Laborer II.

Section 5. YOUTH TO YOUTH: Unless otherwise prohibited by state or federal laws shall only be in effect to the extent allowed by Michigan law and judicial decision. The Employer agrees to contribute monthly to the Local Youth to Youth Fund in the amount of \$15.00 monthly, which amount will be deducted from each members paychecks and to forward that amount to the SMART Local Union No. 7-SM with the monthly dues check-off.

ARTICLE 5 **UNION REPRESENTATION**

Section 1. The members of the bargaining unit shall be represented by a Unit Chairperson and Steward whose names shall be forwarded in writing to the Employer by the Union who shall also notify the Employer in writing of any changes.

Section 2. Negotiations: The Unit Chairperson and Steward shall be a part of the Union Bargaining Committee.

Section 3. Union Representative: A representative of the Union may visit the premises for the purpose of administering the agreement, provided it does not interfere with the performance of the employees' duties.

Section 4. Bulletin Board: The Employer shall provide a bargaining unit bulletin board in a mutually agreeable area.

ARTICLE 6 **GRIEVANCE PROCEDURE**

Section 1. A grievance is an alleged violation of a specific provision of this agreement.

Section 2. No grievance shall be filed or processed based on facts or events which have occurred prior to ten (10) calendar days before the grievance is filed; provided, however, that any grievance involving the rate of pay of an employee may be filed within ten (10) calendar days from the date on which the employee should reasonably have discovered the alleged deviation in pay rate.

Section 3. Steps in the Grievance Procedure

Step 1. Any employee having a grievance or one designated member of a group having a grievance shall first take the grievance up with the supervisor who shall attempt to adjust it. Any employee may request the supervisor to call a Steward to be present during discussion of the grievance with the supervisor. The supervisor shall send for the Steward without delay and without further discussion of the grievance.

Section 4. Grievance Proceedings. The Unit Chairperson and Steward shall assist Bargaining Unit employees with grievances.

ARTICLE 7 **DISCIPLINE**

Section 1. Discipline. The principles of progressive discipline and corrective discipline shall apply in all disciplinary matters. The Employer shall not discipline or discharge non-probationary employees except for just cause. The Union may contest disciplinary action in accordance with the grievance procedure; cases involving the discharge of an employee may be submitted directly to Step 3 of the Grievance Procedure. Oral warnings or reprimands are considered to be constructive criticism and are not considered to be discipline. The three (3) forms of discipline that may be utilized in any case are: (1) written warnings or reprimands, (2) disciplinary suspensions without pay, and (3) discharge from employment with the Employer. The form of discipline imposed in any instance depends upon the nature of the offense and the circumstances involved.

Section 2. Probationary Employees. The Employer shall have the right to discipline or discharge any employee during his or her probationary period and neither the Union nor the employee shall have the recourse in such a case to grievance procedures.

Section 3. Past Record. In imposing any discipline on a current charge, the Employer shall not consider any offenses committed by the employee more than two (2) years prior to the date of the current offense if there have been no offenses since. Written warnings and reprimands shall be removed from an employee's personnel file after two (2) years if there have been no offenses committed by the employee since. The Employer shall retain permanent employee records as required by the State record retention policy period.

Section 4. Notice and Acknowledgement of Discipline. Written copies of each disciplinary action indicating the reasons for the discipline shall be promptly given to the employee involved and to the Union. The employee shall be required to acknowledge receipt of written disciplinary actions, but the employee's signature shall not be construed to indicate that the employee agrees to the charges or penalties.

ARTICLE 8 **HOURS OF WORK**

Section 1. Work Period. The normal work period for full time employees of the Department of Public Works is defined as five (5) consecutive eight (8) hour workdays, Monday through Friday, during a seven (7) consecutive day period. The normal work period for a full time secretary in the City Offices Building is defined as five (5) consecutive eight (8) hour workdays, Monday through Friday, during a seven (7) consecutive day period.

The Department of Public Works may request to go to four (4) consecutive ten (10) hour work days, Monday through Thursday, from March 28th through October 31st, or as the City Manager sees fit, as long as the City Manager is given one (1) week notice by the union steward before any change of hours of work.

Section 2. Overtime. Time and one half (1½) shall be paid for all hours worked in excess of forty

employee who reports for work shall receive a minimum of three (3) hours pay, unless he or she had been instructed not to report prior to the start of his or her shift. The minimum hours pay shall not apply to cases where an employee is sent home due to illness.

Section 6. Rest Periods. The Employer shall grant two (2) paid fifteen (15) minutes rest periods, one in the first half of the shift and one in the second half of the shift.

Section 7. Higher Assignment Work and Pay. Employees who are assigned to duties of a higher paying job for four (4) hours or more shall be paid the rate of pay of the higher paying job for all such hours worked.

Section 8. Lunch Periods. Lunch periods shall be unpaid periods, either one (1) hour or one-half (1/2) hour, subject to the discretion of the Employer. Employees may use lunch periods as they desire. Employees interrupted during lunch periods shall be excused early at the end of their shift for an amount of time equal to the time worked. Early departures shall be arranged at the earliest convenience with approval of the supervisor.

Section 9. Establishing Shift. The Employer shall not change shifts without a one (1) week advance notice to the employees and to the Union Steward or Representative, whenever possible.

Section 10. Standby Allowance. Employees shall be paid one and one-half (1 ½) hours per day at the time and one-half (1 ½) hourly wage pay rate for all days assigned to be on standby, or two and one-fourth hours (2 ¼) of pay per day.

Section 11. No Normal Work Hours Reduction. Non-bargaining unit personnel shall not be used to cause a reduction in the normal hours or cause the layoff of bargaining unit employees.

Section 12. On Call Pay for Weekends. Two (2) hours of overtime will be paid for on call employees per weekend. Employees will need to punch in and out for complete rounds. Schedule to be created by DPW Director.

ARTICLE 9 **SENIORITY**

Section 1. Probation. Seniority shall be defined as the length of service since the last date of hire and if two or more employees are hired on the same day, seniority preference shall be determined by the order of the last four (4) digits of the employee's Social Security numbers with the higher number having the greater seniority. The probation period for newly hired employees shall be ninety (90) days. This period may, in specific instances, be extended by mutual written agreement between the Union and the Employer.

- a) There shall be no responsibility for re-employment of employees if they are laid-off or discharged for any reason during their probation period.
- b) Whenever there is an opening for a full-time position within the bargaining unit, the opening shall be posted for a two (2) week period by the Employer. If a part-time employee of the City is qualified and is at least as qualified as any other applicant, he or she shall be given preference over all other applicants. If a part-time

required work, and the reasonable operating needs of the department. Any employee who requests and is granted a transfer from one shift to another shall not be allowed any further change of shift to another for a period of six (6) months without approval of the Employer.

ARTICLE 10 **LAYOFFS**

Section 1. **Layoffs.** Layoffs and recalls shall be based upon seniority with classification, within the department, provided the senior employee possesses the ability to do the work required in the department. The senior employee may enter into any lower classification within the department, the duties of which he or she is capable of performing, or he or she may, after five (5) days, displace any other employee in a lateral or lower classification within the bargaining unit provided he or she has the ability to do the work required.

The City shall not hire any person to replace a laid off employee or to do the laid off employee's work while the laid off employee remains on the recall list.

An employee shall be returned to his or her own classification and department before any other laid off employee, with less seniority, is recalled or returned to that classification or department.

Employees who exercise their seniority under this section shall be paid at the same relative position in a lateral assignment or at the highest pay rate paid for a lower classified assignment, if it is below his or her current hourly wage rate.

Section 2. **Notice of Layoff.** Employees will be given a two (2) weeks' notice of lay-off in writing, setting forth the effective date of the layoff. A copy of each layoff notice shall be given immediately to the bargaining unit Chairperson and the City shall also immediately mail a copy to the Union.

ARTICLE 11 **DEFINITIONS**

Section 1. **City Employees.** A non-administrative employee as described in the City's Charter, Article IV, Chapter 1, 3.

Section 2. **Temporary Employee** A temporary employee is one who is hired for a limited period of time and who is informed that there is no expectation of permanent employment. A temporary employee receives only those fringe benefits required by State or Federal law and receives no other benefits provided by the City.

Section 3. **Part-time Employee.** A part-time employee is an employee who is hired with the expectation of being regularly scheduled for less than thirty-five (35) hours per week. A part-time employee receives only those fringe benefits required by the State or Federal law and receives no other benefits provided by the City.

Section 4. **Probationary Employee.** A probationary employee is one who, while hired with expectation of becoming a permanent employee, has not yet completed the probationary period.

- Section 3. Safety. The Employer shall make reasonable provisions for the health and safety of its employees during working hours of their employment.
- Section 4. Accident Reports. Accidents and injuries shall be reported reasonably and promptly to the supervisor.
- Section 5. Pay Days. All employees shall be paid bi-weekly (every other week). If a pay period falls on a holiday, pay will be given on the last scheduled day preceding the holiday.
- Section 6. Payroll Deductions. Deductions from payroll checks shall be those required by law and those agreed to between the employee and the Employer.
- Section 7. Other Payroll Deductions. All Employees are subject to deductions from their pay for Federal Income Tax, State Income Tax, Social Security and a contribution for a retirement program if they participate in the program. Upon employment, all employees shall have their first paycheck held back one week. The last payroll check shall be held back until all assigned property has been returned to the department head or City Manager.
- Section 8. Dual Supervision. An employee shall normally receive orders from and be responsible to his or her immediate supervisor or the City Manager.
- Section 9. Employee Personal Property Protection. An employee's personal property, properly at the work site, that is damaged or destroyed while engaged in performing assigned duties shall be repaired or replaced as needed at the Employer's expense, upon recommendation of the department head or City Manager and approved by the City Council.
- Section 10. Non-Discrimination. The parties agree that employees are protected from illegal discrimination in employment by the laws of the United States and the State of Michigan.
- Section 11. Physical Exams. An employee may be required by his department head, with prior approval of the City Manager, to undergo a physical examination every three years, or at the department head's discretion; to be completely paid for by the Employer.
- Section 12. Resignation. Any employee who wishes to resign must present his or her resignation in writing to the department head, and the City Manager. The resignation must be submitted at least two weeks prior to resigning to allow for proper replacement. Failure to give such notice results in forfeiture of all benefits accrued under these rules, unless, because of extenuating circumstances, the requirement is waived by the City Manager.
- Section 13. Secondary Employment. Full-time employees shall engage in supplemental employment on a regular or part-time basis only in accordance with the following conditions and limitations:
- a. Department head and City Manager shall be informed as to employment.
 - b. Under no circumstances shall the Employer, the City of Montrose, be responsible for the employee's actions while so employed.
 - c. The scheduling of such supplemental employment shall in no way interfere with or limit

ARTICLE 14
PAID TIME OFF (PTO)

Section 1.

Accrual Rate per Month	July 1st*	Annual PTO Accrual*	Maximum Accrual**	Annual Payout
6 hours	12 days	9 days	21 days	20 hours
	(96 hours)	(72 hours)	(168 hours)	
8 hours	15 days	12 days	27 days	35 hours
	(120 hours)	(120 hours)	(240 hours)	
13 hours	20 days	13 days	33 days	45 hours
	(160 hours)	(156 hours)	(316 hours)	
15 hours	30 days	22 days	52 days	60 hours
	(240 hours)	(180 hours)	(420 hours)	

*PTO hours issued at the start of fiscal year.

The City maintains a 60-hour cap for unused PTO payout

Section 2. Employees that wish to schedule PTO should provide a two weeks' notice to the City Manager.

Section 3. PTO can be taken in one hour increments.

Section 4. All years of service in regard to PTO will be computed on the employee date of hiring.

Section 5. If a legal holiday falls within the vacation period, an extra day will be given at the end of the vacation, the time to be arranged with the department head or City Manager.

Section 6. Payout for PTO may be taken on the previous regular payday prior to commencement of the scheduled PTO. Remaining PTO hours would not carry over at the end the fiscal year.

Section 7. With the approval of the City Manager an employee may take up to one week of unpaid time off as a supplemental to his or her accrued PTO.

Section 8. An employee terminating employment with the City or who is laid off by the City shall be paid in full for the amount of PTO hours remaining. Automatic PTO payout of remaining hours will be made on the pay period after the anniversary of the employee hire date.

Employer Under PA 152 of 2011, as amended by PA 270 of 2013, The Employer agrees to furnish and to pay the entire premium for hospitalization and medical insurance coverage under the following situations: death related to employment, layoff and compensable injury, including eligible dependents. Employees and eligible dependents of the employee with up to five (5) years seniority shall have premiums paid for six (6) months. Employees with seniority of five (5) years and over will have premiums paid for one (1) year. In the event of death from a non-work related situation, the benefits will be three (3) months if seniority is five years or more for eligible dependents. Part-time employees are not entitled to the above benefits.

Section 4. Worker's Compensation. Worker's compensation insurance shall be carried for all employees by the Employer. The Employer shall continue to provide all contractual benefits for employees who are receiving worker's compensation benefits, for one year; however, seniority shall continue to accumulate.

Section 5. Dental Insurance. The Employer shall continue to provide dental insurance for full-time employees, their spouses, and eligible dependents through an insurance carrier selected by the City provided that the benefits and coverage is not reduced. Coverage is limited to one thousand dollars (\$1000.00) per year per covered individual; this coverage includes the co-insurance payment of one hundred percent (100%) coverage for preventive services, eighty percent (80%) for basic services, fifty percent (50%) for major services, and fifty percent (50%) for orthodontic services. Orthodontic services carry a one thousand dollars (\$1,000.00) lifetime limit per insured. A twenty-five dollar (\$25.00) deductible for single and a seventy-five dollar (\$75.00) deductible for family is required. There is a one (1) year, or twelve (12) months, waiting period for major services and orthodontic services upon eligibility for coverage by the employee and his or her eligible dependents under the current coverage of the carrier program provided by the Employer. The current carrier for the Employer is Blue Dental PPO Plus 100/80/50 SG. All dental insurance coverage by the Employer terminates at the retirement of the employee.

(b) Vision Insurance. The Employer shall continue to provide vision insurance for full-time employees and their spouses, through an insurance carrier selected by the City provided that the benefits and coverage is not reduced. The current carrier is Blue Vision Adults-only SG with VSP Choice Network 12/12/12.

Section 6. Life Insurance. The City shall continue to provide a group term life insurance policy for full-time employees, which provides thirty thousand dollars (\$30,000.00) of coverage for each employee with benefits reduced by fifty percent (50%), or to fifteen thousand dollars (\$15,000.00) at the age of at the age of seventy (70). All life insurance coverage by the Employer terminates at the retirement of the employee. Determination of the carrier is up to the City. The current carrier for the Employer is Principal.

Section 7. Opt-out Pay-Out. Employees will have the option to opt-out of the health insurance benefit if their spouse has insurance through another employer or source. The opt-out Pay-Out will be \$3,000 (three thousand dollars) on July 1 and December 30. Employees may opt back in at open enrollment or a qualifying event. Employees who opt out will not, per Public Act 270 of 2013, be included in the employer's calculation of its maximum total annual medical benefit plan costs.

Section 8. MERS: Michigan Employee Retirement System. "Optional Insurance" The City shall contribute, annually, the amount established jointly by the city and employee, which sums shall be deposited into an employee-owned Healthcare Savings Program (HSP) that will be administered by the Michigan Employee Retirement System (MERS). The employer on the first day of each year of the duration of this agreement will match the employee

Coverage may include a seven (7) day waiting period and will provide coverage for sixty-six and two-thirds percent (66.67%), up to a maximum of seven hundred fifty dollars (\$750.00) weekly, forty (40) hours per week, at the employees current base hourly wage rate of pay, for a maximum period of twenty-six (26) weeks. In addition, there is included a partial disability benefit paid after the employee has been totally disabled for thirty (30) days. Benefits begin at the first (1st) day from an accident and eighth (8th) day of an illness. The current carrier for the Employer is Principal and a schedule of benefits shall be affixed to the Appendix of this agreement. All health and accident disability insurance coverage by the Employer terminates at the retirement of the employee. Employees may use two (2) sick leave days per week, from accumulated sick leave, to supplement the above benefits. Such other benefits as are normally provided in a policy of this type provided by the Employer shall also be included for the benefit of employees.

ARTICLE 18

RETIREMENT PROGRAM

The Employer participates in the Michigan Employees' Retirement System of Michigan (MERS) in a defined benefit retirement plan for the Local Union No. 7-SM of the International Association of Sheet Metal, Air, Rail and Transportation Workers, AFL-CIO contract employees, and the plan shall consist of Benefit Program 8-1, retirement Plan F-50/25 and employees shall be vested after six (6) years of service with the Employer as full-time employees. The Employer shall make contributions as required by the MERS systems for this program plan up to, but not to exceed, twenty-five percent (25%) of the eligible and participating employees gross wages while the total funding of the plan is in excess of twenty-five percent (25%) to maintain the benefit level as agreed upon effectively July 1, 1994, and the employees shall contribute the balance over twenty-five percent (25%) through regular bi-weekly payroll deduction withholdings in accordance with generally accepted account practices. In the event of an increase or decrease, the employees' contribution percentage may increase or decrease.

New employee hires shall pay eight percent (8.00%) of their FAC wages towards the pension system.

ARTICLE 19

ENTIRE AGREEMENT

The parties acknowledge that during negotiations which resulted in this Agreement, each had the unlimited right and opportunity to make demands and proposals with respect to any subject matter of collective bargaining, and the understanding and Agreements arrived at by the parties after the exercise of that right and opportunity, are set forth in this Agreement. The Employer, the City of Montrose, and the Union, for the life of this Agreement, each voluntarily and unqualifiedly acknowledge waiving all other rights and each party, Employer and Union, agrees that the other party shall not be obligated to bargain collectively with respect to any subject or matter referred to or covered in this agreement even though such subject or matter may not have been within the knowledge of contemplation of either or both of the parties at the time they negotiated or signed the Agreement. It is mutually agreed that the specific terms, provisions, or conditions of this Agreement can be changed or modified at any time during its term, by written mutual agreement between the parties, Employer, the City of Montrose, and the Union.

ARTICLE 20

CITY OF MONTROSE
MEMORANDUM

Date: May 20, 2026
To: Mayor Thomas J. Banks and Members of City Council
From: Joe Karlichek, City Manager
Subject: Consideration of Building Permit Security Deposit Resolutions
Attachments: **Residential and Commercial/Industrial Building Permit Security Deposit Resolutions**

Background

The City continues to work toward strengthening compliance with building permits, approved plans, final inspections, property restoration, and applicable City ordinances. In recent matters, the City has identified the need for clearer tools to address incomplete work, failure to obtain final inspections, damage to public property or infrastructure, and other permit-related compliance concerns.

Attached for Council consideration are revised resolutions establishing refundable building permit security deposits for certain residential, commercial, and industrial construction projects. These deposits are intended to serve as financial assurance that permitted work will be completed in accordance with approved plans, applicable codes, and City requirements.

The proposed deposits are not intended to function as a penalty, general revenue source, or replacement for existing permit fees. Rather, they are intended to protect the City and the public by ensuring that documented costs related to non-compliance, damages, incomplete work, or enforcement follow-up may be addressed when necessary.

Summary of Proposed Resolutions

- **Residential Projects:** A refundable security deposit of Four Hundred Dollars (\$400.00) would be required prior to issuance of applicable residential building permits, including new residential construction, additions, structural alterations, or other residential work determined by the Building Official to require compliance assurance.
- **Commercial and Industrial Projects:** A refundable security deposit equal to three percent (3%) of the estimated construction cost would be required for applicable commercial or industrial construction and/or development requiring a building permit, as calculated and determined by the City Building Official.
- **Refund and Documentation Process:** Deposits would be returned upon satisfactory completion, final inspection approval, and confirmation that the project complies with applicable requirements. Any withholding would require written documentation and itemization of the costs or deficiencies being charged against the deposit.

Administrative Safeguards Included in the Revised Resolutions

- Clarifies that each deposit is refundable and shall not be treated as a permit fee or penalty.

- Requires written notice and itemized documentation before the City withholds any portion of a deposit, except where immediate action is necessary to protect public health, safety, property, or public infrastructure.
- Ties the refund process to final inspection, project completion, compliance with approved plans, and restoration of any affected public property or right-of-way.
- Allows administration and the Building Official to develop implementation forms and procedures consistent with City policy, ordinances, and the adopted fee schedule.
- Preserves the City's ability to pursue other code enforcement remedies where appropriate.

Council Consideration

The proposed resolutions provide a more consistent and defensible process for encouraging permit compliance and protecting the City from avoidable costs. They also create a clearer record for applicants, contractors, the Building Official, administration, and Council by establishing expectations at the time a permit is issued.

Prior to implementation, administration recommends that the City Attorney review the final form of the resolutions and confirm whether any related updates are needed to the City's fee schedule, permit application forms, or ordinances.

Recommendation

I recommend that City Council approve the attached building permit security deposit resolutions establishing a Four Hundred Dollar (\$400.00) refundable security deposit for applicable residential building permits and a refundable security deposit equal to three percent (3%) of estimated construction cost for applicable commercial and industrial building permits, subject to final review by the City Attorney.

I further recommend that Council authorize administration, the Building Official, and appropriate City staff to implement the required forms, written notice procedures, refund process, and internal documentation necessary to administer the resolutions in a consistent and transparent manner.

**CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN**

Resolution No. 2026-_____

**RESOLUTION ESTABLISHING A REFUNDABLE RESIDENTIAL BUILDING PERMIT
SECURITY DEPOSIT**

WHEREAS, the City of Montrose seeks to ensure compliance with applicable building codes, ordinances, approved plans, permit requirements, and regulations governing residential construction projects; and

WHEREAS, the City Council finds that certain residential construction projects may require additional compliance assurance to ensure that work is completed, final inspections are obtained, and any damages, deficiencies, or violations are properly addressed; and

WHEREAS, the City Council determines that a refundable security deposit, separate from any required permit fee, is an appropriate administrative tool to promote completion of permitted work and protect the public interest; and

WHEREAS, the City Council desires to establish a clear process for collection, documentation, use, and refund of such security deposits.

NOW, THEREFORE, BE IT RESOLVED, that a refundable security deposit in the amount of Four Hundred Dollars (\$400.00) shall be required prior to issuance of an applicable residential building permit within the City of Montrose, Michigan.

BE IT FURTHER RESOLVED, that the residential security deposit shall apply to new residential construction, residential additions, structural alterations, or other residential work requiring a building permit where the City Building Official determines that a deposit is necessary to ensure compliance with approved plans, final inspection requirements, restoration obligations, or protection of public property, public infrastructure, drainage, sidewalks, curbs, streets, or right-of-way.

BE IT FURTHER RESOLVED, that the security deposit shall be in addition to, and not in place of, any building permit fee, inspection fee, or other charge lawfully required by City ordinance, policy, or fee schedule. The security deposit shall not be treated as a penalty or general revenue source.

BE IT FURTHER RESOLVED, that the City may apply all or a portion of the security deposit only toward documented costs incurred by the City as a result of non-compliance with applicable ordinances, permit conditions, approved plans, incomplete work, failure to obtain required inspections, damage to public property or infrastructure, or other deficiencies directly related to the permitted project.

BE IT FURTHER RESOLVED, that prior to withholding any portion of the security deposit, the City shall provide written notice to the applicant identifying the deficiency, violation, damage, incomplete work, or cost to be charged against the deposit, together with an itemized explanation of the amount proposed to be withheld. When appropriate, the applicant shall be provided a reasonable opportunity to correct the deficiency before funds are withheld, except where immediate action is necessary to protect public health, safety, property, or public infrastructure.

BE IT FURTHER RESOLVED, that upon satisfactory completion of the project, final inspection approval, compliance with applicable requirements, and confirmation that no outstanding damages, deficiencies, violations, or City costs remain, the unused portion of the security deposit shall be returned to the applicant in accordance with City policy and administrative procedures.

BE IT FURTHER RESOLVED, that administration and the City Building Official are authorized to develop and use forms, acknowledgments, written notice procedures, refund procedures, and internal documentation necessary to implement this resolution in a consistent and transparent manner.

BE IT FURTHER RESOLVED, that nothing in this resolution shall limit the City’s authority to enforce its ordinances, building codes, zoning requirements, permit conditions, civil infractions, or any other lawful remedies available to the City.

BE IT FURTHER RESOLVED, that this resolution shall take effect immediately upon adoption and shall apply to applicable permits issued after the effective date, unless otherwise directed by City Council.

ADOPTED by the City Council of the City of Montrose, Michigan, this ____ day of _____, 2026.

VOTING RECORD

YEA: _____

NAY: _____

ABSENT: _____

Thomas J. Banks, Mayor

Christina M. Rush, City Clerk

**CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN**

Resolution No. 2026-_____

**RESOLUTION ESTABLISHING A REFUNDABLE COMMERCIAL AND INDUSTRIAL
BUILDING PERMIT SECURITY DEPOSIT**

WHEREAS, the City of Montrose seeks to ensure compliance with applicable building codes, ordinances, approved plans, permit requirements, and regulations governing commercial and industrial construction and development; and

WHEREAS, the City Council finds that commercial and industrial construction projects may involve greater scope, site activity, public infrastructure impacts, inspection requirements, and potential costs associated with incomplete or non-compliant work; and

WHEREAS, the City Council determines that requiring a refundable security deposit prior to issuance of certain commercial and industrial building permits will help ensure that projects are completed in accordance with approved plans and that any damages, deficiencies, violations, or incomplete work are properly addressed; and

WHEREAS, the City Council desires to establish a clear process for collection, documentation, use, and refund of such security deposits.

NOW, THEREFORE, BE IT RESOLVED, that any commercial or industrial construction and/or development requiring a building permit shall, in addition to the required building permit fee and any other applicable charges, require a refundable security deposit equal to three percent (3%) of the estimated construction cost, as calculated and determined by the City Building Official.

BE IT FURTHER RESOLVED, that the estimated construction cost may be determined by the City Building Official based upon the permit application, submitted plans, contractor estimates, construction valuation, project scope, or any other reasonable documentation necessary to determine the value of the permitted work.

BE IT FURTHER RESOLVED, that the commercial and industrial security deposit shall be in addition to, and not in place of, any building permit fee, inspection fee, escrow requirement, performance guarantee, or other charge lawfully required by City ordinance, policy, development agreement, site plan approval, or fee schedule. The security deposit shall not be treated as a penalty or general revenue source.

BE IT FURTHER RESOLVED, that the City may apply all or a portion of the security deposit only toward documented costs incurred by the City as a result of non-compliance with applicable ordinances, permit conditions, approved plans, incomplete work, failure to obtain required inspections, damage to public property or infrastructure, or other deficiencies directly related to the permitted project.

BE IT FURTHER RESOLVED, that prior to withholding any portion of the security deposit, the City shall provide written notice to the applicant identifying the deficiency, violation, damage, incomplete work, or cost to be charged against the deposit, together with an itemized explanation of the amount proposed to be withheld. When appropriate, the applicant shall be provided a reasonable

opportunity to correct the deficiency before funds are withheld, except where immediate action is necessary to protect public health, safety, property, or public infrastructure.

BE IT FURTHER RESOLVED, that upon satisfactory completion of the project, final inspection approval, compliance with applicable requirements, and confirmation that no outstanding damages, deficiencies, violations, or City costs remain, the unused portion of the security deposit shall be returned to the applicant in accordance with City policy and administrative procedures.

BE IT FURTHER RESOLVED, that administration and the City Building Official are authorized to develop and use forms, acknowledgments, written notice procedures, refund procedures, and internal documentation necessary to implement this resolution in a consistent and transparent manner.

BE IT FURTHER RESOLVED, that nothing in this resolution shall limit the City's authority to enforce its ordinances, building codes, zoning requirements, permit conditions, civil infractions, development agreements, site plan approvals, performance guarantees, or any other lawful remedies available to the City.

BE IT FURTHER RESOLVED, that this resolution shall take effect immediately upon adoption and shall apply to applicable permits issued after the effective date, unless otherwise directed by City Council.

ADOPTED by the City Council of the City of Montrose, Michigan, this ____ day of _____, 2026.

VOTING RECORD

YEA: _____

NAY: _____

ABSENT: _____

Thomas J. Banks, Mayor

Christina M. Rush, City Clerk

12.

CITY OF MONTROSE

MEMORANDUM

DATE: May 18, 2026

TO: Mayor Thomas J. Banks and City Council

FROM: Joe Karlichek, City Manager

Subject: Consider Approving Lawn Mowing Services Agreement

Background: The City has entered into a proposed Lawn Mowing Services Agreement with Bruton Snow Removal to provide lawn maintenance services for properties identified as non-compliant through the City's code enforcement process.

Under the terms of the agreement, the contractor will perform mowing, trimming, and debris removal services upon City authorization, ensuring compliance with local ordinances. The rate structure is established at \$0.02 per square foot, with itemized invoicing required for transparency and accountability.

Analysis: While the City currently utilizes Larko for similar services, relying on a single provider limits operational flexibility and responsiveness.

Notably, the compensation structure under this agreement mirrors the City's existing contractor pricing model on a per-square-foot basis, ensuring fairness and consistency across vendors.

Maintaining multiple qualified service providers is a prudent operational strategy that enhances service delivery, reduces risk, and supports efficient code enforcement. This agreement aligns with those objectives and is in the best interest of the City.

Approval of this agreement will strengthen the City's ability to enforce property maintenance standards effectively while maintaining cost consistency and operational flexibility.

Recommendation: It is the recommendation of City Administration that the Mayor and City Council approve the Lawn Mowing Services Agreement with Bruton Snow Removal.

LAWN MOWING SERVICES AGREEMENT

Between Bruton Snow Removal and the City of Montrose

1. PURPOSE

The purpose of this Agreement is to provide lawn mowing and related property maintenance services on properties within the City that have been identified through the City's Code Enforcement process as non-compliant.

2. SCOPE OF SERVICES

The Contractor agrees to provide lawn mowing, trimming, debris removal, and maintenance of grass height in compliance with City ordinances. Services shall only be performed upon authorization by the City following proper code enforcement notification.

3. COMPENSATION

The City agrees to compensate the Contractor at a rate of \$0.02 (two cents) per square foot. Contractor shall submit itemized invoices including property address, date of service, square footage, and total cost.

4. TERM OF AGREEMENT

This Agreement shall commence on _____, 2026 and remain in effect through _____, 2029.

5. AUTHORIZATION & SCHEDULING

Work shall only be performed upon authorization by the City. Contractor agrees to complete services within two (2) days of notification.

6. BILLING & PAYMENT

Contractor shall invoice the City regularly. Payment shall be made within 30 days. The City reserves the right to verify work completion.

7. RECOVERY OF COSTS

The City may assess the cost of services to the property owner in accordance with local ordinances.

CITY OF MONTROSE

MEMORANDUM

Date: May 19, 2026

TO: Honorable Mayor Banks and Members of City Council

FROM: Joe Karlichek, City Manager

SUBJECT: Conlee Oil Company, Inc. Protest of Bill

I am providing this memorandum for Council's review regarding a protested invoice issued to Conlee Oil Company, Inc. in the amount of **\$250.00** for "Snow Removal" related to January 2026.

Following receipt of the invoice, I met with the owner of Conlee Oil Company, Inc., Mr. Jeff Conlee, and their office manager, Stacy, at Mr. Conlee's request. The meeting was productive and professional. Mr. Conlee expressed concern that better communication from the City would likely have prevented this matter. He also noted the financial investment his business continues to make in the community, including improvements to his property and business operations.

During the discussion, I advised Mr. Conlee that members of City Council had previously conveyed concerns regarding complaints about snow removal from sidewalks near the business and that Conlee Oil had allegedly been sent prior letters regarding this issue. Both Mr. Conlee and Stacy denied receiving prior violation notices or written communication from the City concerning sidewalk snow removal.

Following the meeting, I reviewed the matter further with the City's Code Enforcement Officer, Mr. Scott Murlick. Mr. Murlick advised that, during his tenure with the City, this was the first time he had issued notices to Conlee Oil regarding this type of matter. I also conducted an internal review and was unable to locate prior letters or written notices issued to Conlee Oil documenting previous ordinance violations related to sidewalk snow removal.

While members of Council may have understood there to be a prior history involving this property, the City must rely on documented records when assessing fees, enforcing ordinances, or defending administrative action. Based upon my review, there does not appear to be sufficient documentation demonstrating that Conlee Oil had previously received formal written notice of repeated violations before the \$250.00 snow removal invoice was issued.

Further complicating the matter, Mr. Conlee also raised concerns regarding prior City work associated with the repaving of Washington Street in 2023. According to Mr. Conlee, he received notice after the work had been completed that driveway entrance work associated with his property had been performed and placed on his tax bill. He expressed frustration that he had not received prior communication and believed he could have completed the work at a lower cost had he been given the opportunity.

Given the totality of the circumstances, including the apparent lack of documented prior notices, the expressed communication concerns, and the importance of maintaining a fair and consistent enforcement process, I am recommending that City Council consider waiving the **\$250.00 snow removal invoice** issued to Conlee Oil Company, Inc.

This recommendation should not be interpreted as relieving Conlee Oil, or any other property owner, of the responsibility to comply with City ordinances regarding sidewalk snow removal or property maintenance. Rather, it recognizes that future enforcement should be supported by clear documentation, written notice, and consistent communication.

Recommendation:

Option 1: Deny the Request

City Council may deny the request from Conlee Oil Company, Inc. and require payment of the full **\$250.00 invoice** for January 2026 snow removal.

Option 2: Reduce the Invoice by \$50.00

City Council may approve a partial reduction of the invoice by waiving the **\$50.00 administrative fee**, resulting in a revised invoice amount of **\$200.00**.

Option 3: Waive the Entire Invoice

City Council may approve a full waiver of the **\$250.00 invoice** issued to Conlee Oil Company, Inc. for January 2026 snow removal.

CITY OF MONTROSE
139 S. Saginaw St. Phone (810) 639-6168
Montrose, MI 48457 Fax (810) 639-6125



JOU L ENTR
14349

Date 3/3/2026
Invoice # 200

TO: CONLEE OIL COMPANY INC
12076 N. LINDEN ROAD
CLIO, MI 48420

For	Payment Terms	Due Date
	Due on receipt	

Date of Service	Description	Line Total
01/27/2026	Snow removal service fee by company 60-12-502-036	\$ 50.00
01/27/2026	Snow removal on Sidewalk @ 110 E State St. 60-12-502-036	\$150.00
01/27/2026	Service fee Paid to City	\$ 50.00
Total		\$ 250.00

Please make checks out to the City of Montrose.
139 S. Saginaw Street
Montrose, MI 48457

*NOTE: If not paid by May 31, the item will be considered a lien on the property and will be placed on the tax roll per Section 2-101 - Lien.

CITY OF MONTROSE MEMORANDUM

Date: May 19, 2026

To: Mayor Banks and City Council

From: Joe Karlichek, City Manager

Subject: Asbestos Survey for City Hall Facility

Background

I am providing this memorandum as a follow-up to the recent asbestos survey matter involving City Hall, located at 139 Saginaw Street, which arose in connection with a Michigan Occupational Safety and Health Administration — MIOSHA — inspection.

During the MIOSHA review, it was identified that the City did not possess an asbestos survey for the City Hall facility. Subsequent investigation confirmed that when the City purchased the former Township Hall facility in March 2018 and converted it into City Hall operations, an asbestos survey was not completed, despite recommendations made by the Building Official at that time.

The absence of the survey created operational and regulatory concerns, particularly as it relates to employee safety, contractor work, future renovations, and documentation of building conditions.

Administrative Review and Testing Services

As part of administrative due diligence, I conducted research into the property history and attempted to secure professional environmental testing services from multiple organizations. One organization failed to respond after initial contact. Another organization rescheduled appointments on three separate occasions, resulting in unnecessary delay and a lack of confidence in their ability to perform the work in a timely and professional manner. Following the third rescheduling, I informed that organization their services were no longer needed.

Administration then secured professional asbestos testing services through Great Lakes Environmental Testing, LLC for the required survey.

On May 13, 2026, Great Lakes Environmental Testing, LLC completed a NESHAP renovation/demolition asbestos inspection of the facility. The inspection was performed by a State of Michigan certified asbestos building inspector.

The survey requested by MIOSHA was limited to the **Council Chamber area only**, and not the entirety of City Hall.

Inspection Findings

The inspection report concluded the following:

- No suspect asbestos-containing materials were identified during the inspection.
- No asbestos-containing materials — ACM — were detected within the sampled areas.
- No additional hazardous materials above household quantity limitations were identified.

Based upon the findings of the inspection report, **no asbestos abatement activities are required at this time** relative to the materials observed and tested during the inspection process.

The report does note that if future renovation or demolition activities expose previously inaccessible materials, additional testing may be required prior to disturbance.

Cost and MIOSHA Follow-Up

The original estimated cost for the asbestos testing services was **\$850.00**. However, after the company came onsite and performed the survey, the City was instead billed only **\$100.00** for the completed work. This resulted in a significantly reduced cost to the City while still satisfying the required review.

Following completion of the survey and submission of the necessary information, the City received notice from the MIOSHA Inspector confirming that all abatement information had been received and was considered sufficient.

Employee Safety Training

In addition, the City's custodial employee has completed training in **Asbestos Awareness** and **Bloodborne Pathogens**. The certificates of completion have been printed and provided to the City Clerk to be placed in the employee's personnel/training file.

This further supports the City's ongoing efforts to maintain appropriate safety documentation and ensure employees are properly informed regarding workplace safety matters.

Summary

This confirmation resolves the immediate documentation concern identified during the MIOSHA inspection as it relates to the Council Chamber area. It also provides the City with appropriate documentation moving forward for employee safety, contractor coordination, and future facility-related work.

This matter also reinforces the importance of maintaining proper building records, especially for City-owned facilities, and ensuring that any future renovations or contractor work are supported by required surveys, permits, inspections, employee training, and safety documentation.

Recommendation: No further Council action is requested at this time beyond acceptance of this report.

City Administration shall maintain the completed asbestos survey, MIOSHA correspondence, inspection report, and related employee training certificates in the appropriate City records and personnel files to ensure continued compliance, documentation, and readiness for future operational, regulatory, or construction-related needs.

GREAT LAKES ENVIRONMENTAL TESTING

NESHAP RENOVATION / DEMOLITION
INSPECTION OF ASBESTOS CONTAINING MATERIAL
AND OTHER HAZARDOUS WASTE MATERIAL

FOR THE PROPERTY AT:

139 Saginaw St.
Montrose, MI

Prepared for:

Joe
139 Saginaw St.
Montrose, MI 48457

Prepared By:

Nicole Riba
Michigan Certification #: A60333
Great Lakes Environmental Testing
8265 Gale Rd
Otisville, MI 48463
PH: 586-785-9999
GLET Job #:

05/13/2026
Date Of Survey

05/13/2026
Date of Report

1) INTRODUCTION

Joe Karlichek Great Lakes Environmental Testing, LLC to preform a Renovation/demolition inspection of the building located at 139 Saginaw St Montrose, MI. This inspection was conducted on 05/13/2026.

The EPA, under the National Emissions Standards for Hazardous Air Pollutants (NESHAPs) asbestos rule, requires that prior to the start of a renovation and/or demolition project, the building must be inspected for asbestos containing materials (ACM's). The purpose of this inspection was to determine the presence and quantity of friable or potentially friable ACM's. Depending on the ACM found and condition that it is in, removal of the material may be necessary before demolition work can begin. Prior to the start of a demolition project, it is necessary that friable or potentially friable ACM's be removed.

Great Lakes Environmental Testing's certified inspector, Nicole Riba Clement, conducted the asbestos containing building material (ACBM) inspection and identified materials suspected of containing asbestos. Nicole Riba Clement's State of Michigan Asbestos Building Inspector's certification number is A-60333.

Wherever potential asbestos materials were found, data was collected and recorded regarding quantiles and observed conditions of the suspected material. As required by the Occupational Safety and Health (OSHA) and the Environmental Protection Agency (EPA), three (3) samples of each material were taken in different locations to determine actual asbestos content.

Included along with this report are copies of the bulk sample results, a site map showing sample locations and a copy of the State of Michigan Notification of Intent to Renovate/ Demolish. This information will be necessary for the asbestos abatement contractor selected to perform asbestos abatement activities on the property. GLET has included its information on the second page.

2) Information about Asbestos Inspection

A. Sampling Procedures

Representative bulk samples of suspected ACBMs were randomly collected within each building area. The materials sampled were down into distinct homogeneous (similar) materials. Homogeneous material determination was based on the following criteria:

- Similar physical characteristics (same color and texture, etc.)
- Application (sprayed-on, troweled-on, assembly into system etc.)
- Material function (thermal insulation, floor tile, wall board system etc.)

For removal of less than 15 square feet or less than 10 linear feet, no notification is required. In conjunction with any notification to LARA, the contractor must pay a 1% fee for the project. This fee must reflect 1% of the total abatement contract amount.

A material is considered by OSHA, the EPA and the State of Michigan to be asbestos containing if at least one sample collected from the homogeneous material has asbestos fibers present in concentration greater than one percent (>1%).

A summary of the materials sampled, asbestos content, quantities and location can be found on the chart in summary and conclusion.

D. Other Hazardous Materials

Additionally, information showing other hazardous materials (above the household quantity limitations) found at the site is included in chart B in summary and conclusions. This lists non-asbestos materials that may be hazardous and may require special handling and disposal requirements. Items that might be in this category include things like mercury switches, fluorescent lighting, tubes, halogen lights, freon in refringent units, pesticides, herbicides, paints, solvents, etc.

3) Regulatory Requirements

There are two main regulations that affect renovation/ demolition of residential homes and asbestos materials. The MIOSHA Asbestos Construction Standard has requirements to protect the workers performing the renovation/demolition, while EPA-NESHAP regulation requirements that protect the general public and environment.

A. MIOSHA Construction Asbestos Regulations

The MIOSHA standard establishes a permissible exposure limit (PEL) average over 8-hour day. This means that this is the maximum level of asbestos that workers and/or employees can be exposed to without respirator protection and protective clothing. Should air sampling during renovation or demolition activities be near or over PEL, the employer will have to:

Notify workers

Provide worker training

Post danger signs

Establish periodic air monitoring regulated areas and decontamination facilities

Provide respiratory protection and personal protective clothing.

Conduct employee respiration monitoring

Maintain/ provide record keeping

Perform medical surveillance (if employee will be exposed 30 days per year or more).

Until recently, only schools were federally mandated to conduct asbestos inspections of their buildings. However, with the passage of the new MIOSHA regulations, all building owners, in this case *Joe Karlichek*, are now required to notify all renovation/ demolition workers of the presence, location and quantity of all ACM's within the building.

In most cases, it is more practical to have an asbestos contractor remove the ACM from the building prior to renovation/ demolition than have renovation/ demolition contractor comply with all the requirements.

GLET has endeavored to identify potential asbestos containing materials that were accessible at the time of inspection. However other potential ACM may be buried or have been inaccessible at the time of initial survey.

As it has been evident on many other demolition projects, when tearing out or demolishing existing building surfaces, it is very common to encounter other building materials that were not accessible during the initial testing for ACM or Lead/Cadmium painted surfaces. Therefore, it is incumbent on *Joe Karlichek* or its selected construction renovation contractor to refer to the chart of sampled materials consistently during the renovation process. If materials are encountered during this process that are not clearly identifiable on the initial survey chart, GLET should be called to test and verify the asbestos Lead/Cadmium content of these items.

GLET cannot be held responsible for materials encountered after the initial survey is completed unless we are contacted and given the opportunity to test and verify the material content. The cost associated with this additional testing are not included within the scope of this project and Joe Karlichek will incur additional charges for the additional sampling analysis.

On the following charts, please find:

- Chart A- is a summary of the materials that were sampled. Materials that test positive for asbestos have been bolded to make identification easier. ***If additional materials are encountered that were not previously identified, the contractor is responsible for contacting GLET and having these materials tested. These additional sampling costs are not included in the scope of work or price for this survey.***

Quantities that are listed are estimate only; In general, listed quantities represent only what is visible during testing. It is likely that where ACM has been identified throughout specific floors, similar materials and quantities exist on other like floors. It is the contractors'/ clients' responsibility to verify all amounts of asbestos identified during and bid process, or during future renovation and/or demolition activities. Materials that are identical in both relative location and physical description to already tested materials listed in this report should always be assumed to be ACM.

- Chart B – Is a list of other hazardous materials (above RCRA household quantity levels) that will require special handling and disposal by the contractor.

It is important to note that some companies are only taking one sample of selected non-friable materials. While this procedure is allowed under NESHAP regulation, the OSHA standard suggests a minimum of three samples of each homogeneous material. This is a better approach due to the potential errors in the analytical process.

To provide the most accurate information possible and be sure of our results, GLET chooses to take three samples of each sampled material when able.

CHART A- MATERIALS AND ASBESTOS CONTENT



ASBESTOS TESTING SERVICES AGREEMENT

This Asbestos Testing Services Agreement ("Agreement") is entered into as of 05/11/2026 by and between:

Client:

City of Montrose
Joe Karlichek

Service Provider:

Great Lakes Environmental Testing
8265 Gale Rd
Otisville, MI 48463

The Client and Service Provider may be referred to individually as a "Party" and collectively as the "Parties."

1. Scope of Services

1.1 Services Included.

Service Provider shall perform professional asbestos sampling and testing services at the following property or properties (the "Testing Location"): 139 Saginaw St Montrose, MI 48457.

Included services may consist of:

- a. visual assessment of suspected asbestos-containing materials ("ACM");
- b. bulk sampling and/or surface sampling of materials;
- c. collection of samples for laboratory analysis by an accredited laboratory;
- d. preparation of a written asbestos testing report summarizing findings (the "Report").

1.2 Services Excluded.

This Agreement is strictly limited to asbestos testing and reporting services and expressly excludes asbestos abatement, removal, remediation, encapsulation, repair, demolition, construction, or any corrective work.

2. Fees and Payment

2.1 Service Fee.

The total fee for the Services is \$850.00 ("Service Fee").

2.2 Payment Terms.

- a. Payment is due within thirty (30) days of the invoice date;
- b. Payment may be made by check, cash, credit card, or other accepted methods;
- c. Laboratory fees associated with the agreed scope of testing are included unless otherwise stated in writing.

3. Responsibility for Post-Testing Findings

3.1 Contractor Responsibility.

If post-remediation, post-abatement, or clearance testing fails to meet accepted industry or regulatory standards, the abatement contractor or other responsible party—not the Client—shall be responsible for all related testing costs, including but not limited to:

- a. the Service Fee;
- b. any required re-testing or additional sampling;
- c. any associated laboratory or reporting fees.

3.2 Client Protection.

Under no circumstances shall the Client be financially responsible for costs related to failed post-testing resulting from incomplete, improper, or unsuccessful abatement or remediation work, regardless of any contractual relationship between the Client and third-party contractors.

4. Scheduling and Access

Client shall provide reasonable access to the Testing Location at scheduled dates and times. Failure to provide access may result in rescheduling fees or additional charges.

5. Limitations of Services

Testing reflects conditions at the Testing Location at the time of inspection only. Results may vary due to environmental, structural, or building conditions. No guarantee is made regarding the presence or absence of asbestos-containing materials beyond sampled or inspected areas, and this Agreement does not constitute a warranty of habitability, safety, or future performance.

6. Independent Contractor

Service Provider is an independent contractor and is not an employee, agent, joint venturer, or partner of the Client.

7. Limitation of Liability

To the fullest extent permitted by law, the Service Provider's total aggregate liability for any and all claims arising from or relating to this Agreement, the Services, the Testing Location, or the Report shall not exceed the total amount actually paid by the Client under this Agreement. The Service Provider shall not be liable for indirect, incidental, special, consequential, exemplary, punitive, or delay damages, nor for losses related to abatement activities, business interruption, property damage, diminution in value, disclosure obligations, or transactional consequences. These limitations apply regardless of the legal or equitable theory asserted and shall constitute the Client's sole and exclusive remedy.

8. Use of Report

The Report is prepared exclusively for the Client and for the limited purpose described herein. The Report shall not be relied upon by real estate agents, brokers, lenders, contractors, insurers, adjusters, buyers, sellers, or any other third party without the prior written consent of the Service Provider. Unauthorized use, disclosure, or reliance by any third party is expressly disclaimed and shall not create any duty, warranty, representation, or liability on the part of the Service Provider.

9. Cancellation

Either Party may cancel this Agreement upon [24/48] hours' prior written notice. If cancellation occurs after testing has commenced, the Client shall owe the full-Service Fee and all non-recoverable laboratory, sampling, mobilization, or administrative costs incurred to date. Cancellation or delay due to lack of access, site readiness, or other Client-caused conditions shall be treated as a cancellation without proper notice.

10. Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Michigan.

11. Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous proposals, negotiations, representations, and communications, whether written or oral.

SERVICE PROVIDER:A handwritten signature in cursive script, reading "Joe Karlichek", written over a horizontal line.**CLIENT SIGNATURE:**

Name: Nicole Riba
Title: Owner

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CITY OF MONTROSE

MEMORANDUM

Date: May 20, 2026

To: Mayor Thomas J. Banks and Members of City Council

From: Joe Karlichek, City Manager

Subject: Resignation of Planning Commission Member David Rosario

Background

Please be advised that Planning Commission member **David Rosario** has submitted his resignation from the City of Montrose Planning Commission due to a change of address.

Mr. Rosario's resignation creates a vacancy on the Planning Commission that will need to be addressed in accordance with the City's appointment process.

Appreciation for Service

On behalf of the City Administration, I would like to thank Mr. Rosario for his willingness to serve the City of Montrose and contribute his time to the Planning Commission. Service on a municipal board requires commitment, preparation, and a willingness to assist in the long-term planning and development interests of the community.

Mr. Rosario's service is appreciated, and we wish him well following his relocation.

Next Steps

Administration will work with the Mayor and City Council to identify and appoint a qualified individual to fill the vacancy on the Planning Commission.

Recommendation

I recommend that City Council formally accept the resignation of **David Rosario** from the City of Montrose Planning Commission with appreciation for his service, and direct administration to proceed with the appropriate steps to fill the vacancy.