

AGENDA NOTE

MEETING DATE: October 23, 2017

PERSON PLACING ITEM ON AGENDA: City Attorney

AGENDA TOPIC: Resolution Approving a Uniform Video Service Local Franchise Agreement with Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC

EXPLANATION OF TOPIC: As explained in the City Attorney's October 13, 2017 letter, Comcast has a requested approval of a Uniform Video Service Local Franchise Agreement with the City. Comcast currently has a Uniform Franchise Agreement with the City that was approved automatically in 2007 under the Uniform Video Service Local Franchise Act, Public Act 480 of 2006, MCL 484.3301, et seq. (the "Act").

In Michigan, the Act, which became effective January 1, 2007, governs video service local franchise agreements, and the Act was intended to eliminate the negotiation process and make the agreements uniform from community to community and provider to provider.

A brief summary of the pertinent provisions of the proposed Uniform Franchise Agreement are:

- Annual video service provider fee is 5% of gross revenues
- PEG (public, education, government) fee is 0% of gross revenues
- Term is 10 years

The submission is complete except for the 5% of gross revenue franchise fee and 0% PEG fee to be inserted and several dates of submission and date completed and approved.

A resolution that would approve the requested Uniform Franchise Agreement and authorize the Mayor to sign it has been presented and is recommended for Council approval.

MATERIALS ATTACHED AS SUPPORTING DOCUMENTS:

- JRSJ Letter dated October 13, 2017
- Proposed Resolution
- 9/5/17 Comcast submission
- 9/14/17 JRSJ letter – notice of incomplete submission
- 9/25/17 Comcast email and revised Attachment 1 with service area footprint map
- Public Act 480 of 2006 – Uniform Video Services Local Franchise Act
- MML Legislative Brief regarding PA 480 of 2006

POSSIBLE COURSES OF ACTION: Approve/Deny/No Action/Postpone

RECOMMENDATION: Approve the Resolution

SUGGESTED MOTION: Motion to Approve the Resolution Approving a Uniform Video Service Local Franchise Agreement with Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC directing that the Uniform Franchise Agreement be completed as provided for therein, and authorizing and directing the Mayor to sign it.



JOHNSON, ROSATI, SCHULTZ, JOPPICH PC

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Phone: 248.489.4100 | Fax: 248.489.1726

Timothy S. Wilhelm
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October 13, 2017

Mr. Kyle V. Mazurek
Manager, External Affairs
Comcast, Heartland Division
4112 Concept Drive
Plymouth, MI 48170

RE: Notice Regarding Completeness Uniform Franchise Agreement Submittal
Our Client: South Lyon

Dear Mr. Mazurek:

The revised Attachment 1 received by the City on September 25, 2017, and the submission has been reviewed and been determined to be complete for purposes of MCL 484.3303(2). The proposed Uniform Franchise Agreement will be presented to the City Council for approval at its October 23, 2017 meeting which is within the thirty (30) calendar days after a complete submission as provided for in MCL 484.3303(3).

Should you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.

Timothy S. Wilhelm

TSW/mdi

cc: Lynne Ladner, City Manager
Lisa Deaton, City Clerk



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October 13, 2017

Mayor John Galeas, Jr. and City Council
City of South Lyon
335 S. Warren
South Lyon, MI 48178

RE: Approval of Uniform Video Service Local Franchise Agreement with Comcast of
Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC

Dear Mayor Galeas and Council Members:

Provided with this letter is a Resolution to approve the Uniform Video Service Local Franchise Agreement ("Uniform Franchise Agreement") with Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC ("Comcast") that is attached to the Resolution. Adoption of the Resolution is recommended. The Uniform Franchise Agreement provides for the same five percent (5%) of gross revenues franchise fees and zero percent (0%) of gross revenues PEG (Public, Education, Government) fee as is contained in the franchise agreements with AT&T (October 15, 2016) and WOW (May 2012).

Public Act 480 of 2006, the Uniform Video Service Local Franchise Act ("Act"), took effect January 1, 2007, and it drastically changed cable television franchising in the State of Michigan by i) mandating the only acceptable terms and conditions for cable and video service franchises; ii) having the MPSC establish a standardized uniform franchise agreement form; iii) rendering unreasonable and unenforceable any provisions of an existing franchise inconsistent with the Act and MPSC approved franchise agreement form; and iv) placing limits on fees, with the traditional franchise fee, now called an Annual Video Service Provider Fee, capped at five percent (5% of gross revenues, and so-called PEG fees (Public, Education, Government) capped at two percent (2%) of gross revenues. A third fee provision of the Act is a requirement that fees charged by franchising entities (e.g. the City) be uniform with respect to all cable/video services providers. Thus, because the City had no PEG fee in the franchise agreement in effect on January 1, 2007, the uniform franchise agreements approved (under the automatic approval provisions of the Act) contain a PEG fee of 0%.

Under the Act, franchising entities, such as the City, have no authority to deny or negotiate the provisions of a proposed franchise. Once a franchise submittal is complete, the only options are to affirmatively approve within thirty (30) calendar days, or by failing to approve within that time, have the franchise be automatically approved. While there was a federal district court decision holding that municipalities had the right to reject and request modifications of a proposed franchise agreement under the Act, it was vacated in 2014, leaving the City with no published court decision to rely if it wanted to assert rights not recognized in the Act.

The City received Comcast's proposed Uniform Franchise Agreement on September 5, 2017, which has since been completed by the filing of a replacement, revised Attachment 1. The thirty (30) calendar days allowed by the Act for the City to approve the proposed Uniform Franchise Agreement once complete, will expire October 25, 2017. Thus, this matter has been placed on the Council Agenda for October 23, 2017.

We recommend that you affirmatively approve the Uniform Franchise Agreement by Resolution rather than relying on the automatic approval under the Act as has been done for the City's other Uniform Franchise Agreements. In addition to confirming the Franchise and PEG fees that are to be paid, that approach allows you to formally preserve the City's rights to challenge or rely another franchising entity's successful challenge of the Act or Uniform Franchise Agreement. A Resolution that to approve Comcast's proposed franchise is provided, with the preservation of rights clause in the Resolution. As indicated in the Resolution and consistent with the Act, the fees to be paid by Comcast are the same as the five percent (5%) of gross revenue video service provider fee and zero percent (0%) of gross revenue PEG fee that AT&T and WOW are required to pay. The proposed resolution would approve the Comcast Uniform Franchise Agreement and authorize and direct that it be completed, and be signed by the Mayor.

The Act provides that the term of the franchise is ten (10) years. That term will begin when the Uniform Franchise Agreement has been signed by the Mayor on behalf of the City.

If you have any questions or concerns regarding the foregoing, please do not hesitate to contact me.

Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.



Timothy S. Wilhelm

TSW/mdi
Enclosure
cc: Lynne Ladner, City Manager

RESOLUTION NO. ____-17

**CITY OF SOUTH LYON
OAKLAND COUNTY, MICHIGAN**

**A RESOLUTION APPROVING A UNIFORM VIDEO SERVICE
LOCAL FRANCHISE AGREEMENT WITH COMCAST OF
COLORADO / FLORIDA / MICHIGAN / NEW MEXICO /
PENNSYLVANIA / WASHINGTON, LLC**

WHEREAS, Public Act 480 of 2006, MCL 484.3301 et seq., the Uniform Video Service Local Franchise Act (the "Act") became law in the State of Michigan on January 1, 2007;

WHEREAS, under Section 3(2) of the Act, the City must notify a provider as to whether the submitted franchise agreement is complete as required by the Act within 15 business days after the date the franchise agreement is filed;

WHEREAS, under Section 3(3) of the Act, the City has 30 calendar days after the submission of a complete franchise agreement to approve the agreement. If the City does not notify the provider regarding the completeness of the submitted franchise agreement or does not approve the franchise agreement within these time periods, the franchise agreement is considered complete and is automatically approved;

WHEREAS, on July 19, 2007, Comcast of the South, Inc. ("Comcast") submitted a proposed Uniform Video Service Local Franchise Agreement ("2007 Uniform Franchise Agreement") to the City to provide video services within the boundaries of the City, but it left blank Section VI(A)(ii) pertaining to Franchise Fees and Section VIII(A) pertaining to PEG Fees, and on page 2 of Attachment 1, it did not fill in the date it expected to begin providing services;

WHEREAS, the City did not notify Comcast that its submission was incomplete and did not take action to approve the proposed 2007 Uniform Franchise Agreement within the time periods provided for in Sections 3(2) and (3) of the Act, and under Section 3(3) of the Act, the 2007 Uniform Franchise Agreement was considered complete and automatically approved;

WHEREAS, Section V(A) of the 2007 Uniform Franchise Agreement provided for a term of ten (10) years from the date it was issued, which is defined in Section V(A)(b) as the date it was deemed automatically approved on August 19, 2007 pursuant to Section 3(3) of the Act;

WHEREAS, on or about October 8, 2007, Comcast submitted Attachment 3 to the Michigan Public Service Commission notifying it that the 2007 Uniform Franchise Agreement was first filed on July 19, 2007 and had exceeded the 30-day submission date on August 19, 2007, but also stating that the 2007 Uniform Franchise Agreement was considered complete and automatically approved on October 8, 2007;

WHEREAS, effective March 31, 2014, Comcast changed its name to Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC.

WHEREAS, on September 5, 2017, Comcast submitted a proposed Uniform Video Service Local Franchise Agreement to the City Clerk (the "2017 Uniform Franchise Agreement") with the

amount of the annual video service provider fee in Section VI(A)(ii) left blank for the City to determine and complete and the PEG Fee in Section VIII(A)(2) set at zero percent (0%) of gross revenue;

WHEREAS the annual video service provider fee that is payable under the City's other Uniform Video Service Local Franchise Agreements with WideOpenWest Michigan, LLC and AT&T is five percent (5%) of gross revenue;

WHEREAS the annual fee that is payable as support for the cost of PEG access facilities and services under the City's other Uniform Video Service Local Franchise Agreements with WideOpenWest Michigan, LLC and AT&T is zero percent (0%) of gross revenue;

WHEREAS, Section 6 of the Act requires the annual video service provider fee and fee that is payable as support for the cost of PEG access facilities and services to be applicable to all video service providers;

WHEREAS, pursuant to Section 3(2) of the Act, on September 14, 2017, the City Attorney timely notified Comcast that Attachment 1 of the proposed 2017 Uniform Franchise Agreement was incomplete because it did not adequately describe the video service area footprint and failed to include an expected date for providing service in the City;

WHEREAS, on September 25, 2017, Comcast submitted a revised Attachment 1 addressing the incomplete items, and Comcast's proposed 2017 Uniform Franchise Agreement with revised Attachment 1 is attached to this Resolution;

WHEREAS, Section 3(3) of the Act, requires the City to approve a franchise agreement within 30 days of it being complete;

WHEREAS, the Council has determined that Comcast's proposed 2017 Uniform Franchise Agreement is complete and meets the technical requirements of the Act, understands that there has been no change in the law to provide the City with denial or conditional approval authority since 2007, and therefore undertakes to adopt this Resolution approving the 2017 Uniform Franchise Agreement, as required by the Act;

NOW THEREFORE, BE IT RESOLVED that the City finds that the 2017 Uniform Franchise Agreement is complete and meets the technical requirements of the Act, and solely for that reason, the City hereby approves and authorizes and directs the Mayor to sign the 2017 Uniform Franchise Agreement with Comcast, and the Attachment 1 signed by Comcast on September 21, 2017 with the annual video service provider fee in Section VI(A)(ii) to be five percent (5%) of gross revenue, and the annual fee that is payable as support for the cost of PEG access facilities and services in Section VIII(A)(ii) to be zero percent (0%) of gross revenue.

BE IT FURTHER RESOLVED that on page 9 of the 2017 Uniform Franchise Agreement, the "Date submitted" shall be completed by inserting 9/5/17 and 9/25/2017, and the "Date completed and approved" to be completed by inserting October 23, 2017, and that the following language shall be inserted below the "Date completed and approved" line:

Determination of completeness and approval and authority for this Franchise Agreement to be signed was by adoption of a Resolution by the City Council at a meeting on October 23, 2017.

BE IT FURTHER RESOLVED that such approval by the City is given only because it is required by the Act, and is not an indication of the City's agreement with or assent to any provisions of the Act or the Franchise.

BE IT FURTHER RESOLVED that by approving the 2017 Uniform Franchise Agreement, the City shall not be found to have waived its rights to challenge any provisions of the Act and/or any related provisions of the Franchise Agreement on the basis that such provisions are invalid and unenforceable as violations of law, including on the grounds that a particular action is an unconstitutional impairment of contractual rights, with the City further reserving any and all rights stemming from any successful challenge to such provisions undertaken by any other local franchising entity.

BE IT FURTHER RESOLVED that the City Clerk shall provide a copy of this Resolution to Comcast by one of the methods for Notice in Section XV of the Franchise.

At a regular meeting of the City of South Lyon City Council, a motion was made by Council Member _____, supported by Council Member _____ to adopt the above resolution.

Ayes:
Nays:
Absent:

RESOLUTION DECLARED [ADOPTED/FAILED].

CERTIFICATION

I certify that this Resolution was duly adopted by the City Council of the City of South Lyon on _____, 2017.

Lisa Deaton
City Clerk
South Lyon



Sent via UPS

September 5, 2017

Ms. Lisa Deaton, Clerk
City of South Lyon
335 S. Warren Street
South Lyon, MI 48178

Re: Michigan Uniform Video Service Local Franchise Agreement

Dear Ms. Deaton:

In accordance with the instructions set forth by the Michigan Public Service Commission in its provision of the Uniform Video Service Local Franchise Agreement, enclosed please find two completed Uniform Video Service Local Franchise Agreements along with the necessary Attachment 1's thereto filed on behalf of Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC. *Kindly return one executed copy of the Agreement to me in the self-addressed stamped envelope.*

You will find several stickers attached to the document indicating where the Franchising Entity is required to supply information. Please note that on page 9 of the UVSLFA in the box entitled, "Franchise Agreement (Franchising Entity to Complete), the "Date submitted" is the date the Franchising Entity receives the Agreement from Comcast and the "Date completed and approved" is when the Franchising Entity signs the Agreement.

If you have any questions, please contact me directly at 734-254-1557 or Leslie Brogan, Senior Director, Government Affairs, at 517-334-5890.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kyle V. Mazurek", written over a series of horizontal lines.

Kyle V. Mazurek
Manager of External Affairs
Comcast, Heartland Region
41112 Concept Drive
Plymouth, MI 48170

Enclosure

INSTRUCTIONS FOR UNIFORM VIDEO SERVICE LOCAL FRANCHISE AGREEMENT

Pursuant to 2006 Public Act 480, MCL 484.3301 *et seq.*, any Video Service Provider seeking to provide video service in one or more service areas in the state of Michigan after January 30, 2007, shall file an application for a Uniform Video Service Local Franchise Agreement with the Local Unit of Government ("Franchising Entity") that the Provider wishes to service. Pursuant to Section 2(2) of 2006 PA 480, "Except as otherwise provided by this Act, a person shall not provide video services in any local unit of government without first obtaining a uniform video service local franchise as provided under Section 3." Procedures applicable to incumbent video service providers are set forth below.

As of the effective date (January 1, 2007) of the Act, no existing franchise agreement with a Franchising Entity shall be renewed or extended upon the expiration date of the agreement. The incumbent video Provider, at its option, may continue to provide video services to the Franchising Entity by electing to do one of the following:

1. Terminate the existing franchise agreement before the expiration date of the agreement and enter into a new franchise under a uniform video service local franchise agreement.
2. Continue under the existing franchise agreement amended to include only those provisions required under a uniform video service local franchise.
3. Continue to operate under the terms of an expired franchise until a uniform video service local franchise agreement takes effect. An incumbent video Provider with an expired franchise on the effective date has 120 days after the effective date of the Act to file for a uniform video service local franchise agreement.

On the effective date (January 1, 2007) of the Act, any provisions of an existing Franchise that are inconsistent with or in addition to the provisions of a uniform video service local Franchise Agreement are unreasonable and unenforceable by the Franchising Entity.

If, at a subsequent date, the Provider would like to provide video service to an additional Local Unit of Government, the Provider must file an additional application with that Local Unit of Government.

The forms shall meet the following requirements:

- The Provider must complete both the "Uniform Video Service Local Franchise Agreement" and "Attachment 1 - Uniform Video Service Local Franchise Agreement" forms if they are seeking a new/renewed Franchise Agreement, and send the forms by mail (certified, registered, first-class, return receipt requested, or by a nationally recognized overnight delivery service) to the appropriate Franchising Entity. Until otherwise officially notified by the Franchising Entity, the forms shall be sent to the Clerk or any official with the responsibilities or functions of the Clerk in the Franchising Entity. "Attachment 2 - Uniform Video Service Local Franchise Agreement" is not required to be filed at this time *unless* it is being used regarding amendments, terminations, or transfers pertaining to an existing Uniform Video Service Local Franchise Agreement. (Refer to Sections X to XII of the Agreement, as well as Section 3(4-6) of the Act.)
- Pursuant to Section 11 of the Act: Except under the terms of a mandatory protective order, trade secrets and commercial or financial information designated as such and submitted under the Act to the Franchising Entity or Commission are exempt from the Freedom of Information Act, 1976 PA 442, MCL 15.231 to 15.246 and **MUST BE KEPT CONFIDENTIAL**.
 1. The Provider may specify which items of information should be deemed "confidential." It is the responsibility of the provider to clearly identify and segregate any confidential information submitted to the franchising entity with the following information:

"[insert PROVIDER'S NAME]
[CONFIDENTIAL INFORMATION]"

2. The Franchising Entity receiving the information so designated as confidential is required (a) to protect such information from public disclosure, (b) exempt such information from any response to a FOIA request, and (c) make the information available only to and for use only by such local officials as are necessary to approve the franchise agreement or perform any other task for which the information is submitted.
 3. Any Franchising Entity which disputes whether certain information submitted to it by a provider is entitled to confidential treatment under the Act may apply to the Commission for resolution of such a dispute. Unless and until the Commission determines that part or all of the information is not entitled to confidential treatment under the Act, the Franchising Entity shall keep the information confidential.
- Responses to all questions must be provided and must be amended appropriately when changes occur.
 - All responses must be printed out, typed, signed/dated (where appropriate), and mailed (certified, registered, first class, return receipt requested, or by a national recognized overnight delivery service) to the appropriate party.
 - The Agreement and Attachments are templates. Tab through the documents and fill in as appropriate, use the appropriate "dropdown box" (City/Village/Township) when indicated.
 - For sections that need explanation, if the Provider runs out of space, the Provider should then submit the application with typed attachments that are clearly identified.
 - The Franchising Entity shall notify the Provider as to whether the submitted Franchise Agreement is complete as required by this Act within 15 business days after the date that the Franchise Agreement is filed. If the Franchise Agreement is not complete, the Franchising Entity shall state in its notice the reasons the franchise agreement is incomplete. The Franchising Entity cannot declare an application to be incomplete because it may dispute whether or not the applicant has properly classified certain material as "confidential."
 - A Franchising Entity shall have 30 days after the submission date of a complete Franchise Agreement to approve the agreement. If the Franchising Entity does not notify the Provider regarding the completeness of the Franchise Agreement or approve the Franchise Agreement within the time periods required under this subsection, the franchise agreement shall be considered complete and the Franchise Agreement approved. The Provider shall notify both the Franchising Entity and the Michigan Public Service Commission of such an approved and completed Agreement by completing **Attachment 3 - Uniform Video Service Local Franchise Agreement**.
 - For changes to an existing Uniform Video Service Local Franchise Agreement (amendments, transfers, or terminations), the Provider must complete the "**Attachment 2 - Uniform Video Service Local Franchising Entity**" form, and send the form to the appropriate Franchising Entity.
 - For information that is to be submitted to the Michigan Public Service Commission, please use the following address:

Michigan Public Service Commission
Attn: Video Franchising
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Fax: (517) 284-8304

Questions should be directed to the Telecommunications Division, Michigan Public Service Commission at (517) 284-8100.

UNIFORM VIDEO SERVICE LOCAL FRANCHISE AGREEMENT

THIS UNIFORM VIDEO SERVICE LOCAL FRANCHISE AGREEMENT ("Agreement") is made, pursuant to 2006 PA 480, MCL 484.3301 *et seq.* (the "Act") by and between the City of South Lyon, a Michigan municipal corporation (the "Franchising Entity"), and Comcast of Colorado/Florida/Michigan/New Mexico/ Pennsylvania/ Washington, LLC, a Colorado Limited Liability Company doing business as Comcast.

I. Definitions

For purposes of this Agreement, the following terms shall have the following meanings as defined in the Act:

- A. "Cable Operator" means that term as defined in 47 USC 522(5).
- B. "Cable Service" means that term as defined in 47 USC 522(6).
- C. "Cable System" means that term as defined in 47 USC 522(7).
- D. "Commission" means the Michigan Public Service Commission.
- E. "Franchising Entity" means the local unit of government in which a provider offers video services through a franchise.
- F. "FCC" means the Federal Communications Commission.
- G. "Gross Revenue" means that term as described in Section 6(4) of the Act and in Section VI(D) of the Agreement.
- H. "Household" means a house, an apartment, a mobile home, or any other structure or part of a structure intended for residential occupancy as separate living quarters.
- I. "Incumbent video provider" means a cable operator serving cable subscribers or a telecommunication provider providing video services through the provider's existing telephone exchange boundaries in a particular franchise area within a local unit of government on the effective date of this act.
- J. "IPTV" means internet protocol television.
- K. "Local unit of government" means a city, village, or township.
- L. "Low-income household" means a household with an average annual household income of less than \$35,000.00 as determined by the most recent decennial census.
- M. "METRO Act" means the Metropolitan Extension Telecommunications Rights-of-Way Oversight Act, 2002 PA 48, MCL 484.3101 *et seq.*
- N. "Open video system" or "OVS" means that term as defined in 47 USC 573.
- O. "Person" means an individual, corporation, association, partnership, governmental entity, or any other legal entity.
- P. "Public rights-of-way" means the area on, below, or above a public roadway, highway, street, public sidewalk, alley, waterway, or utility easements dedicated for compatible uses.
- Q. "Term" means the period of time provided for in Section V of this Agreement.
- R. "Uniform video service local franchise agreement" or "franchise agreement" means the franchise agreement required under the Act to be the operating agreement between each franchising entity and video provider in this state.
- S. "Video programming" means that term as defined in 47 USC 522(20).
- T. "Video service" means video programming, cable services, IPTV, or OVS provided through facilities located at least in part in the public rights-of-way without regard to delivery technology, including internet protocol technology. This definition does not include any video programming provided by a commercial mobile service provider defined in 47 USC 332(d) or provided solely as part of, and via, a service that enables users to access content, information, electronic mail, or other services offered over the public internet.
- U. "Video service provider" or "Provider" means a person authorized under the Act to provide video service.
- V. "Video service provider fee" means the amount paid by a video service provider or incumbent video provider under Section 6 of the Act and Section VI of this Agreement.

II. Requirements of the Provider

- A. An unfranchised Provider will not provide video services in any local unit of government without first obtaining a uniform video service local franchise agreement as provided under **Section 3 of the Act** (except as otherwise provided by the Act).
- B. The Provider shall file in a timely manner with the Federal Communications Commission all forms required by that agency in advance of offering video service in Michigan.
- C. The Provider agrees to comply with all valid and enforceable federal and state statutes and regulations.
- D. The Provider agrees to comply with all valid and enforceable local regulations regarding the use and occupation of public rights-of-way in the delivery of the video service, including the police powers of the Franchising Entity.
- E. The Provider shall comply with all Federal Communications Commission requirements involving the distribution and notification of federal, state, and local emergency messages over the emergency alert system applicable to cable operators.
- F. The Provider shall comply with the public, education, and government programming requirements of Section 4 of the Act.
- G. The Provider shall comply with all customer service rules of the Federal Communications Commission under 47 CFR 76.309 (c) applicable to cable operators and applicable provisions of the Michigan Consumer Protection Act, 1976 PA 331, MCL 445.901 to 445.922.
 - i. Including but not limited to: MCL 445.902; MCL 445.903 (1)(a) through 445.903(1)(cc); MCL 445.903(1)(ff) through (jj); MCL 445.903(2); MCL 445.905; MCL 445.906; MCL 445.907; MCL 445.908; MCL 445.910; MCL 445.911; MCL 445.914; MCL 445.915; MCL 445.916; MCL 445.918.
- H. The Provider agrees to comply with in-home wiring and consumer premises wiring rules of the Federal Communications Commission applicable to cable operators.
- I. The Provider shall comply with the Consumer Privacy Requirements of 47 USC 551 applicable to cable operators.
- J. If the Provider is an incumbent video provider, it shall comply with the terms which provide insurance for right-of-way related activities that are contained in its last cable franchise or consent agreement from the Franchising Entity entered before the effective date of the Act.
- K. The Provider agrees that before offering video services within the boundaries of a local unit of government, the video Provider shall enter into a Franchise Agreement with the local unit of government as required by the Act.
- L. The Provider understands that as the effective date of the Act, no existing Franchise Agreement with a Franchising Entity shall be renewed or extended upon the expiration date of the Agreement.
- M. The Provider provides an exact description of the video service area footprint to be served, pursuant to **Section 2(3)(e) of the Act**. If the Provider is not an incumbent video Provider, the date on which the Provider expects to provide video services in the area identified under **Section 2(3)(e) of the Act** must be noted. The Provider will provide this information in Attachment 1 - Uniform Video Service Local Franchise Agreement.
- N. The Provider is required to pay the Provider fees pursuant to **Section 6 of the Act**.

III. Provider Providing Access

- A. The Provider shall not deny access to service to any group of potential residential subscribers because of the race or income of the residents in the local area in which the group resides.
- B. It is a defense to an alleged violation of Paragraph A if the Provider has met either of the following conditions:
 - i. Within 3 years of the date it began providing video service under the Act and the Agreement; at least 25% of households with access to the Provider's video service are low-income households.
 - ii. Within 5 years of the date it began providing video service under the Act and Agreement and from that point forward, at least 30% of the households with access to the Provider's video service are low-income households.
- C. [If the Provider is using telecommunication facilities] to provide video services and has more than 1,000,000 telecommunication access lines in Michigan, the Provider shall provide access to its video service to a number of households equal to at least 25% of the households in the provider's telecommunication

service area in Michigan within 3 years of the date it began providing video service under the Act and Agreement and to a number not less than 50% of these households within 6 years. The video service Provider is not required to meet the 50% requirement in this paragraph until 2 years after at least 30% of the households with access to the Provider's video service subscribe to the service for 6 consecutive months.

- D. The Provider may apply to the Franchising Entity, and in the case of paragraph C, the Commission, for a waiver of or for an extension of time to meet the requirements of this section if 1 or more of the following apply:
- i. The inability to obtain access to public and private rights-of-way under reasonable terms and conditions.
 - ii. Developments or buildings not being subject to competition because of existing exclusive service arrangements.
 - iii. Developments or buildings being inaccessible using reasonable technical solutions under commercial reasonable terms and conditions.
 - iv. Natural disasters
 - v. Factors beyond the control of the Provider
- E. The Franchising Entity or Commission may grant the waiver or extension only if the Provider has made substantial and continuous effort to meet the requirements of this section. If an extension is granted, the Franchising Entity or Commission shall establish a new compliance deadline. If a waiver is granted, the Franchising Entity or Commission shall specify the requirement or requirements waived.
- F. The Provider shall file an annual report with the Franchising Entity and the Commission regarding the progress that has been made toward compliance with paragraphs B and C.
- G. Except for satellite service, the provider may satisfy the requirements of this paragraph and Section 9 of the Act through the use of alternative technology that offers service, functionality, and content, which is demonstrably similar to that provided through the provider's video service system and may include a technology that does not require the use of any public right-of-way. The technology utilized to comply with the requirements of this section shall include local public, education, and government channels and messages over the emergency alert system as required under Paragraph II(E) of this Agreement.

IV. Responsibility of the Franchising Entity

- A. The Franchising Entity hereby grants authority to the Provider to provide Video Service in the Video Service area footprint, as described in this Agreement and Attachments, as well as the Act.
- B. The Franchising Entity hereby grants authority to the Provider to use and occupy the Public Rights-of-way in the delivery of Video Service, subject to the laws of the state of Michigan and the police powers of the Franchising Entity.
- C. The Franchising Entity shall notify the Provider as to whether the submitted Franchise Agreement is complete as required by the Act within 15 business days after the date that the Franchise Agreement is filed. If the Franchise Agreement is not complete, the Franchising Entity shall state in its notice the reasons the Franchise Agreement is incomplete. The Franchising Entity cannot declare an application to be incomplete because it may dispute whether or not the applicant has properly classified certain material as "confidential."
- D. The Franchising Entity shall have 30 days after the submission date of a complete Franchise Agreement to approve the agreement. If the Franchising Entity does not notify the Provider regarding the completeness of the Franchise Agreement or approve the Franchise Agreement within the time periods required under Section 3(3) of the Act, the Franchise Agreement shall be considered complete and the Franchise Agreement approved.
- i. If time has expired for the Franchising Entity to notify the Provider, The Provider shall send (via mail: certified or registered, or by fax) notice to the Franchising Entity and the Commission, using Attachment 3 of this Agreement.
- E. The Franchising Entity shall allow a Provider to install, construct, and maintain a video service or communications network within a public right-of-way and shall provide the provider with open, comparable, nondiscriminatory, and competitively neutral access to the public right-of-way.
- F. The Franchising Entity may not discriminate against a video service provider to provide video service for any of the following:
- i. The authorization or placement of a video service or communications network in public right-of-way.
 - ii. Access to a building owned by a governmental entity.
 - iii. A municipal utility pole attachment.
- G. The Franchising Entity may impose on a Provider a permit fee only to the extent it imposes such a fee on incumbent video providers, and any fee shall not exceed the actual, direct costs incurred by the Franchising Entity for issuing the relevant permit. A fee under this section shall not be levied if the Provider already has

paid a permit fee of any kind in connection with the same activity that would otherwise be covered by the permit fee under this section or is otherwise authorized by law or contract to place the facilities used by the Provider in the public right-of-way or for general revenue purposes.

- H. The Franchising Entity shall not require the provider to obtain any other franchise, assess any other fee or charge, or impose any other franchise requirement than is allowed under the Act and this Agreement. For purposes of this Agreement, a franchise requirement includes but is not limited to, a provision regulating rates charged by video service providers, requiring the video service providers to satisfy any build-out requirements, or a requirement for the deployment of any facilities or equipment.
- I. Notwithstanding any other provision of the Act, the Provider shall not be required to comply with, and the Franchising Entity may not impose or enforce, any mandatory build-out or deployment provisions, schedules, or requirements except as required by Section 9 of the Act.
- J. The Franchising Entity is subject to the penalties provided for under Section 14 of the Act.

V. Term

- A. This Franchise Agreement shall be for a period of 10 years from the date it is issued. The date it is issued shall be calculated either by: (a) the date the Franchising Entity approved the Agreement, provided it did so within 30 days after the submission of a complete franchise agreement, or (b) the date the Agreement is deemed approved pursuant to Section 3(3) of the Act, if the Franchising Entity either fails to notify the Provider regarding the completeness of the Agreement or approve the Agreement within the time periods required under that subsection.
- B. Before the expiration of the initial Franchise Agreement or any subsequent renewals, the Provider may apply for an additional 10-year renewal under Section 3(7) of the Act.

VI. Fees

- A. A video service Provider shall calculate and pay an annual video service provider fee to the Franchising Entity. The fee shall be 1 of the following:
 - I. If there is an existing Franchise Agreement, an amount equal to the percentage of gross revenue paid to the Franchising Entity by the incumbent video Provider with the largest number of subscribers in the Franchising Entity.
 - II. At the expiration of an existing Franchise Agreement or if there is no existing Franchise Agreement, an amount equal to the percentage of gross revenue as established by the Franchising Entity of _____ % (percentage amount to be inserted by Franchising Entity which shall not exceed 5%) and shall be applicable to all providers.
- B. The fee shall be due on a quarterly basis and paid within 45 days after the close of the quarter. Each payment shall include a statement explaining the basis for the calculation of the fee.
- C. The Franchising Entity shall not demand any additional fees or charges from a provider and shall not demand the use of any other calculation method other than allowed under the Act.
- D. For purposes of this Section, "gross revenues" means all consideration of any kind or nature, including, without limitation, cash, credits, property, and in-kind contributions received by the provider from subscribers for the provision of video service by the video service provider within the jurisdiction of the franchising entity.
 - 1. Gross revenues shall include all of the following:
 - i. All charges and fees paid by subscribers for the provision of video service, including equipment rental, late fees, insufficient funds fees, fees attributable to video service when sold individually or as part of a package or bundle, or functionally integrated with services other than video service.
 - ii. Any franchise fee imposed on the Provider that is passed on to subscribers.
 - iii. Compensation received by the Provider for promotion or exhibition of any products or services over the video service.
 - iv. Revenue received by the Provider as compensation for carriage of video programming on that Provider's video service.
 - v. All revenue derived from compensation arrangements for advertising to the local franchise area.
 - vi. Any advertising commissions paid to an affiliated third party for video service advertising.
 - 2. Gross revenues do not include any of the following:
 - i. Any revenue not actually received, even if billed, such as bad debt net of any recoveries of bad debt.
 - ii. Refunds, rebates, credits, or discounts to subscribers or a municipality to the extent not already offset by subdivision (D)(i) and to the extent the refund, rebate, credit, or discount is attributable to the video service.

- iii. Any revenues received by the Provider or its affiliates from the provision of services or capabilities other than video service, including telecommunications services, information services, and services, capabilities, and applications that may be sold as part of a package or bundle, or functionality integrated, with video service.
 - iv. Any revenues received by the Provider or its affiliates for the provision of directory or internet advertising, including yellow pages, white pages, banner advertisement, and electronic publishing.
 - v. Any amounts attributable to the provision of video service to customers at no charge, including the provision of such service to public institutions without charge.
 - vi. Any tax, fee, or assessment of general applicability imposed on the customer or the transaction by a federal, state, or local government or any other governmental entity, collected by the Provider, and required to be remitted to the taxing entity, including sales and use taxes.
 - vii. Any forgone revenue from the provision of video service at no charge to any person, except that any forgone revenue exchanged for trades, barter, services, or other items of value shall be included in gross revenue.
 - viii. Sales of capital assets or surplus equipment.
 - ix. Reimbursement by programmers of marketing costs actually incurred by the Provider for the introduction of new programming.
 - x. The sale of video service for resale to the extent the purchaser certifies in writing that it will resell the service and pay a franchise fee with respect to the service.
- E. In the case of a video service that is bundled or integrated functionally with other services, capabilities, or applications, the portion of the video Provider's revenue attributable to the other services, capabilities, or applications shall be included in gross revenue unless the Provider can reasonably identify the division or exclusion of the revenue from its books and records that are kept in the regular course of business.
- F. Revenue of an affiliate shall be included in the calculation of gross revenues to the extent the treatment of the revenue as revenue of the affiliate has the effect of evading the payment of franchise fees which would otherwise be paid for video service.
- G. The Provider is entitled to a credit applied toward the fees due under **Section 6(1) of the Act** for all funds allocated to the Franchising Entity from annual maintenance fees paid by the provider for use of public rights-of-way, minus any property tax credit allowed under **Section 8 of the Metropolitan Extension Telecommunications Rights-of-Way Oversight Act (METRO Act)**, 2002 PA 48, MCL 484.3108. The credits shall be applied on a monthly pro rata basis beginning in the first month of each calendar year in which the Franchising Entity receives its allocation of funds. The credit allowed under this subsection shall be calculated by multiplying the number of linear feet occupied by the Provider in the public rights-of-way of the Franchising Entity by the lesser of 5 cents or the amount assessed under the **METRO Act**. The Provider is not eligible for a credit under this section unless the provider has taken all property tax credits allowed under the **METRO Act**.
- H. All determinations and computations made under this section shall be pursuant to generally accepted accounting principles.
- I. Any claims by a Franchising Entity that fees have not been paid as required under **Section 6 of the Act**, and any claims for refunds or other corrections to the remittance of the Provider shall be made within 3 years from the date the compensation is remitted.
- J. The Provider may identify and collect as a separate line item on the regular monthly bill of each subscriber an amount equal to the percentage established under **Section 6(1) of the Act**, applied against the amount of the subscriber's monthly bill.
- K. The Franchising Entity shall not demand any additional fees or charges from a Provider and shall not demand the use of any other calculation method other than allowed under the Act.

VII. Public, Education, and Government (PEG) Channels

- A. The video service Provider shall designate a sufficient amount of capacity on its network to provide for the same number of public, education, and government access channels that are in actual use on the incumbent video provider system on the **effective date of the Act** or as provided under **Section 4(14) of the Act**.
- B. Any public, education, or government channel provided under this section that is not utilized by the Franchising Entity for at least 8 hours per day for 3 consecutive months may no longer be made available to the Franchising Entity and may be programmed at the Provider's discretion. At such a time as the Franchising Entity can certify a schedule for at least 8 hours of daily programming for a period of 3 consecutive months, the Provider shall restore the previously reallocated channel.
- C. The Franchising Entity shall ensure that all transmissions, content, or programming to be retransmitted by a video service Provider is provided in a manner or form that is capable of being accepted and retransmitted by a Provider, without requirement for additional alteration or change in the content by the Provider, over the

particular network of the Provider, which is compatible with the technology or protocol utilized by the Provider to deliver services.

- D. The person producing the broadcast is solely responsible for all content provided over designated public, education, or government channels. The video service Provider shall not exercise any editorial control over any programming on any channel designed for public, education, or government use.
- E. The video service Provider is not subject to any civil or criminal liability for any program carried on any channel designated for public, education, or government use.
- F. If a Franchising Entity seeks to utilize capacity pursuant to **Section 4(1) of the Act** or an agreement under **Section 13 of the Act** to provide access to video programming over one or more PEG channels, the Franchising Entity shall give the Provider a written request specifying the number of channels in actual use on the incumbent video provider's system or specified in the agreement entered into under **Section 13 of the Act**. The video service Provider shall have 90 days to begin providing access as requested by the Franchising Entity. The number and designation of PEG access channels shall be set forth in an addendum to this agreement effective 90 days after the request is submitted by the Franchising Entity.
- G. A PEG channel shall only be used for noncommercial purposes.

VIII. PEG Fees

- A. The video service Provider shall also pay to the Franchising Entity as support for the cost of PEG access facilities and services an annual fee equal to one of the following options:
 - 1. If there is an existing Franchise on the effective date of the Act, the fee (enter the fee amount) paid to the Franchising Entity by the Incumbent video Provider with the largest number of cable service subscribers in the Franchising Entity as determined by the existing Franchise Agreement;
 - 2. At the expiration of the existing Franchise Agreement, the amount required under (1) above, which is 0% of gross revenues. (The amount under (1) above is not to exceed 2% of gross revenues);
 - 3. If there is no existing Franchise Agreement, a percentage of gross revenues as established by the Franchising Entity and to be determined by a community need assessment, is % of gross revenues. (The percentage that is established by the Franchising Entity is not to exceed 2% of gross revenues.); and
 - 4. An amount agreed to by the Franchising Entity and the video service Provider.
- B. The fee required by this section shall be applicable to all providers, pursuant to Section 6(9) of the Act.
- C. The fee shall be due on a quarterly basis and paid within 45 days after the close of the quarter. Each payment shall include a statement explaining the basis for the calculation of the fee.
- D. All determinations and computations made under this section shall be pursuant to generally accepted accounting principles.
- E. Any claims by a Franchising Entity that fees have not been paid as required under **Section 6 of the Act**, and any claims for refunds or other corrections to the remittance of the Provider shall be made within 3 years from the date the compensation is remitted.
- F. The Provider may identify and collect as a separate line item on the regular monthly bill of each subscriber an amount equal to the percentage established under **Section 6(8) of the Act**, applied against the amount of the subscriber's monthly bill.
- G. The Franchising Entity shall not demand any additional fees or charges from a Provider and shall not demand the use of any other calculation method other than allowed under the Act.

IX. Audits

- A. No more than every 24 months, a Franchising Entity may perform reasonable audits of the video service Provider's calculation of the fees paid under **Section 6 of the Act** to the Franchising Entity during the preceding 24-month period only. All records reasonably necessary for the audits shall be made available by the Provider at the location where the records are kept in the ordinary course of business. The Franchising Entity and the video service Provider shall each be responsible for their respective costs of the audit. Any additional amount due verified by the Franchising Entity shall be paid by the Provider within 30 days of the Franchising Entity's submission of invoice for the sum. If the sum exceeds 5% of the total fees which the audit determines should have been paid for the 24-month period, the Provider shall pay the Franchising Entity's reasonable costs of the audit.
- B. Any claims by a Franchising Entity that fees have not been paid as required under **Section 6 of the Act**, and any claims for refunds or other corrections to the remittance of the provider shall be made within 3 years from the date the compensation is remitted.

X. Termination and Modification

This Franchise Agreement issued by a Franchising Entity may be terminated or the video service area footprint may be modified, except as provided under **Section 9 of the Act**, by the Provider by submitting notice to the Franchising Entity. The Provider will use Attachment 2, when notifying the Franchising Entity.

XI. Transferability

This Franchise Agreement issued by a Franchising Entity or an existing franchise of an incumbent video service Provider is fully transferable to any successor in interest to the Provider to which it is initially granted. A notice of transfer shall be filed with the Franchising Entity within 15 days of the completion of the transfer. The Provider will use Attachment 2, when notifying the Franchising Entity. The successor in interest will assume the rights and responsibilities of the original provider and will also be required to complete their portion of the Transfer Agreement located within Attachment 2.

XII. Change of Information

If any of the information contained in the Franchise Agreement changes, the Provider shall timely notify the Franchising Entity. The Provider will use Attachment 2, when notifying the Franchising Entity.

XIII. Confidentiality

Pursuant to Section 11 of the Act: Except under the terms of a mandatory protective order, trade secrets and commercial or financial information designated as such and submitted under the Act to the Franchising Entity or Commission are exempt from the Freedom of Information Act, 1976 PA 442, MCL 15.231 to 15.246 and **MUST BE KEPT CONFIDENTIAL**.

- A. The Provider may specify which items of information should be deemed "confidential." It is the responsibility of the provider to clearly identify and segregate any confidential information submitted to the franchising entity with the following information:
 "[Insert PROVIDER'S NAME]
 [CONFIDENTIAL INFORMATION]"
- B. The Franchising Entity receiving the information so designated as confidential is required (a) to protect such information from public disclosure, (b) exempt such information from any response to a FOIA request, and (c) make the information available only to and for use only by such local officials as are necessary to approve the franchise agreement or perform any other task for which the information is submitted.
- C. Any Franchising Entity which disputes whether certain information submitted to it by a provider is entitled to confidential treatment under the Act may apply to the Commission for resolution of such a dispute. Unless and until the Commission determines that part or all of the information is not entitled to confidential treatment under the Act, the Franchising Entity shall keep the information confidential.

XIV. Complaints/Customer Service

- A. The Provider shall establish a dispute resolution process for its customers. Provider shall maintain a local or toll-free telephone number for customer service contact.
- B. The Provider shall be subjected to the penalties, as described under **Section 14 of the Act**, and the Franchising Entity and Provider may be subjected to the dispute process as described in **Section 10 of the Act**.
- C. Each Provider shall annually notify its customers of the dispute resolution process required under **Section 10 of the Act**. Each Provider shall include the dispute resolution process on its website.
- D. Before a customer may file a complaint with the Commission under **Section 10(5) of the Act**, the customer shall first attempt to resolve the dispute through the dispute resolution process established by the Provider in **Section 10(2) of the Act**.
- E. A complaint between a customer and a Provider shall be handled by the Commission pursuant to the process as described in **Section 10(5) of the Act**.
- F. A complaint between a Provider and a franchising entity or between two or more Providers shall be handled by the Commission pursuant to the process described in **Section 10(6) of the Act**.
- G. In connection with providing video services to the subscribers, a provider shall not do any act prohibited by **Section 10(1)(a-f) of the Act**. The Commission may enforce compliance to the extent that the activities are not covered by **Section 2(3)(l) in the Act**.

XV. Notices

Any notices to be given under this Franchise Agreement shall be in writing and delivered to a Party personally, by facsimile or by certified, registered, or first-class mail, with postage prepaid and return receipt requested, or by a nationally recognized overnight delivery service addressed as follows:

If to the Franchising Entity:
(must provide street address)

City of South Lyon:

If to the Provider:
(must provide street address)

1.
41112 Concept Dr.

Plymouth, MI 48170

Attn: VP of Government Affairs

Fax No.: 248-233-4719

2.
600 Galleria Pkwy

Atlanta, GA 30339

Attn: Sen. Vice President, Government Relations

3.
One Comcast Center

Philadelphia, PA 19103

Attn: Government Affairs Department

Or such other addresses or facsimile numbers as the Parties may designate by written notice from time to time.


XVI. Miscellaneous

- A. **Governing Law.** This Franchise Agreement shall be governed by, and construed in accordance with, applicable Federal laws and laws of the State of Michigan.
- B. **The parties to this Franchise Agreement** are subject to all valid and enforceable provisions of the Act.
- C. **Counterparts.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.
- D. **Power to Enter.** Each Party hereby warrants to the other Party that it has the requisite power and authority to enter into this Franchise Agreement and to perform according to the terms hereof.
- E. **The Provider and Franchising Entity** are subject to the provisions of 2006 Public Act 480.

IN WITNESS WHEREOF, the Parties, by their duly authorized representatives, have executed this Franchise Agreement.

City of South Lyon, a Michigan Municipal Corporation

Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC, a Colorado Limited Liability Company doing business as Comcast



Print Name _____

Title _____


Address _____

City, State, Zip _____

Phone _____

Fax _____

Email _____



By _____

Timothy P. Collins

Print Name _____

Regional Senior Vice President

Title _____

41112 Concept Drive

Address _____

Plymouth, MI 48170

City, State, Zip _____

734-254-1525

Phone _____

248-233-4719

Fax _____

Tim_Collins@cable.comcast.com

Email _____

FRANCHISE AGREEMENT *(Franchising Entity to Complete)*

Date submitted: _____

Date completed and approved: _____



ATTACHMENT 1

UNIFORM VIDEO SERVICE LOCAL FRANCHISE AGREEMENT (Pursuant To 2006 Public Act 480) (Form must be typed)

| | | |
|--|-----------|---------------------|
| Date: August 29, 2017 | | |
| Applicant's Name: Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC | | |
| Address 1: 41112 Concept Dr. | | |
| Address 2 | | Phone: 734-254-1525 |
| City: Plymouth | State: MI | Zip: 48170 |
| Federal I.D. No. (FEIN): 31-1063218 | | |

Company executive officers:

| |
|--|
| Name(s): Tim Collins |
| Title(s): Regional Senior Vice President |

Person(s) authorized to represent the company before the Franchising Entity and the Commission:

| | | |
|--|-------------------|---------------------------------|
| Name: Kyle Mazurek | | |
| Title: Manager, External Affairs | | |
| Address: 41112 Concept Dr., Plymouth, MI 48170 | | |
| Phone: 734-254-1557 | Fax: 248-327-7868 | Email: Kyle_Mazurek@comcast.com |

| | | |
|--|-------------------|----------------------------------|
| Name: Leslie A. Brogan | | |
| Title: Senior Director, Government Affairs | | |
| Address: 1401 E. Miller Rd., Lansing, MI 48911 | | |
| Phone: 517-334-5890 | Fax: 517-657-3743 | Email: Leslie_Brogan@comcast.com |

Describe the video service area footprint as set forth in Section 2(3e) of the Act. (An exact description of the video service area footprint to be served, as identified by a geographic information system digital boundary meeting or exceeding national map accuracy standards.)

As an incumbent provider, Comcast, is satisfying this requirement by allowing a franchising entity to seek right-of-way related information comparable to that required by a permit under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120, as set forth in its last cable franchise entered before the effective date of this act.

[Option A: for Providers that Options B and C are not applicable, a description based on a geographic information system digital boundary meeting or exceeding national map accuracy standards]

[Option B: for Providers with 1,000,000 or more access lines in Michigan using telecommunication facilities to provide Video Service, a description based on entire wire centers or exchanges located in the Franchising Entity]

[Option C: for an Incumbent Video Service Provider, it satisfies this requirement by allowing the Franchising Entity to seek right-of-way information comparable to that required by a permit under the METRO Act as set forth in its last cable franchise or consent agreement from the Franchising Entity entered into before the effective date of the Act]

Pursuant to Section 2(3)(d) of the Act, if the Provider is not an incumbent video Provider, provide the date on which the Provider expects to provide video services in the area identified under Section 2(3)(e) (the Video Service Area Footprint).

Date:

For All Applications:

Verification
(Provider)

I, Timothy P. Collins, of lawful age, and being first duly sworn, now states: As an officer of the Provider, I am authorized to do and hereby make the above commitments. I further affirm that all statements made above are true and correct to the best of my knowledge and belief.

Name and Title (printed): Timothy P. Collins, Regional Senior Vice President

Signature: 

Date: 8-30-2017

(Franchising Entity)

City of South Lyon, a Michigan municipal corporation.


Print Name

Title

Address

City, State, Zip

Phone

Fax

Email

Date

ATTACHMENT 1



JOHNSON ROSATI SCHULTZ JOPPICH PC

27555 Executive Drive Suite 250 ~ Farmington Hills, Michigan 48331
Phone: 248.489.4100 / Fax: 248.489.1726

Timothy S. Wilhelm
twilhelm@jrsjlaw.com

www.jrsjlaw.com

September 14, 2017

Mr. Kyle V. Mazurek
Manager, External Affairs
Comcast, Heartland Division
4112 Concept Drive
Plymouth, MI 48170

RE: Notice of Incomplete Uniform Video Service Local Franchise Agreement Submission
Our Client: South Lyon

Dear Mr. Mazurek:

Your September 5, 2017 submittal to the South Lyon City Clerk was forwarded to me for review and determined to be Incomplete with respect to the description of the video service area footprint and the expected service date in Attachment 1.

As to the first issue – video service area description – on the bottom section of page 1 of Attachment 1, your submittal recites the last sentence of MCL 484.3302(3)(e) identifying Comcast as an incumbent provider. But, under MCL 484.3301(g), "an incumbent video provider means a cable operator serving cable subscribers or a telecommunication provider providing video services through the providers' existing telephone exchange boundaries in a particular franchise area within a local unit of government on the effective date of this act." The effective date of Public Act 480 of 2006 was January 1, 2007. According to City records, Comcast did not obtain a Uniform Video Franchise Agreement with the City of South Lyon until August 2007, and thus, was not an incumbent video provider as defined in the Act.

Notably, in attachment 1 to its original submission in July 2007, Comcast described the video service area footprint as follows: "Comcast intends to serve, in accordance with the standard set forth in PA 480 of 2006, the present territorial corporate limits of the City in any area henceforth, next to or otherwise added to the City during the term of this franchise." But, no map meeting the requirements of MCL 484.3302(3)(e) was submitted. As submitted the video service area footprint description is incomplete. A description and a map of the City conforming with the requirements of MCL 484.3302(3)(e), similar to the description in Comcast's 2007 submission, may address this deficiency.

Mr. Kyle V. Mazurek

Comcast Uniform Franchise Agreement

September 14, 2017

Page 2

Also, a second incomplete item is the date on which Comcast expects to provide video services in the City as required by MCL 484.3302(3)(d). I also note that Comcast's July 2007 submission omitted to include the date on which it expected to provide video services in the City in Attachment 1. As noted above, Comcast is not an incumbent video provider under Public Act 480 of 2006, and this date must be provided.

I also noted that you had completed the PEG fee section of the Uniform Video Franchise Agreement with 0% of gross revenues meaning that Comcast would not pay any PEG fees. The City Manager, Lynne Ladner or I, will be contacting you to discuss this issue and whether Comcast is willing to pay PEG fees. I am also investigating the status of PEG fees or similar type arrangements that were in place with the incumbent video provider as of January 1, 2007 when Public Act 480 of 2006 became effective.

Please submit a revised Attachment 1 to address the incomplete items noted above. Should you have any questions or concerns regarding the foregoing, please do not hesitate to contact me.

Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.



Timothy S. Wilhelm

TSW/mdi

cc: Lynne Ladner, City Manager
Lisa Deaton, City Clerk

Timothy Wilhelm

From: Mazurek, Kyle <Kyle_Mazurek@comcast.com>
Sent: Monday, September 25, 2017 10:40 AM
To: Timothy Wilhelm
Cc: lladner@southlyonmi.org; ldeaton@southlyonmi.org
Subject: Comcast UVSLFA Attachment 1
Attachments: 09.14.17 Incomplete Correspondence.pdf; Attachment 1, Revised (Emailed).pdf

Tim –

Comcast is in receipt of your correspondence dated September 14, 2017, which is attached for your reference.

Per your request, also attached please find a revised substitute UVSLFA Attachment 1 addressing the alleged deficiencies.

Please let me know if you have any additional questions.

Thanks,
Kyle

Kyle V. Mazurek
Manager of External Affairs
Comcast | Heartland Region
41112 Concept Drive | Plymouth, MI 48170
Direct: (734) 254-1557 | Cell: (248) 464-3947 | Fax: (248) 327-7868
kyle_mazurek@cable.comcast.com

ATTACHMENT 1

UNIFORM VIDEO SERVICE LOCAL FRANCHISE AGREEMENT (Pursuant To 2006 Public Act 480) (Form must be typed)

| | | |
|--|-----------|---------------------|
| Date: August 29, 2017 | | |
| Applicant's Name: Comcast of Colorado/Florida/Michigan/New Mexico/Pennsylvania/Washington, LLC | | |
| Address 1: 41112 Concept Dr. | | |
| Address 2 | | Phone: 734-254-1525 |
| City: Plymouth | State: MI | Zip: 48170 |
| Federal I.D. No. (FEIN): 31-1063218 | | |

Company executive officers:

| |
|--|
| Name(s): Tim Collins |
| Title(s): Regional Senior Vice President |

Person(s) authorized to represent the company before the Franchising Entity and the Commission:

| | | |
|--|-------------------|---------------------------------|
| Name: Kyle Mazurek | | |
| Title: Manager, External Affairs | | |
| Address: 41112 Concept Dr., Plymouth, MI 48170 | | |
| Phone: 734-254-1557 | Fax: 248-327-7868 | Email: Kyle_Mazurek@comcast.com |

| | | |
|--|-------------------|----------------------------------|
| Name: Leslie A. Brogan | | |
| Title: Senior Director, Government Affairs | | |
| Address: 1401 E. Miller Rd., Lansing, MI 48911 | | |
| Phone: 517-334-5890 | Fax: 517-657-3743 | Email: Leslie_Brogan@comcast.com |

Describe the video service area footprint as set forth in Section 2(3e) of the Act. (An exact description of the video service area footprint to be served, as identified by a geographic information system digital boundary meeting or exceeding national map accuracy standards.)

Comcast intends to serve, in accordance with the standards set forth in PA 480 of 2006, the present territorial corporate limits of the City and any area henceforth annexed to or otherwise added to the City during the term of this franchise. Said area is depicted on the accompanying map.

[Option A: for Providers that Options B and C are not applicable, a description based on a geographic information system digital boundary meeting or exceeding national map accuracy standards]

[Option B: for Providers with 1,000,000 or more access lines in Michigan using telecommunication facilities to provide Video Service, a description based on entire wire centers or exchanges located in the Franchising Entity]

[Option C: for an Incumbent Video Service Provider, it satisfies this requirement by allowing the Franchising Entity to seek right-of-way information comparable to that required by a permit under the METRO Act as set forth in its last cable franchise or consent agreement from the Franchising Entity entered into before the effective date of the Act]

Pursuant to Section 2(3)(d) of the Act, if the Provider is not an incumbent video Provider, provide the date on which the Provider expects to provide video services in the area identified under Section 2(3)(e) (the Video Service Area Footprint).

Date: September 15, 2017

For All Applications:

**Verification
(Provider)**

I, Timothy P. Collins, of lawful age, and being first duly sworn, now states: As an officer of the Provider, I am authorized to do and hereby make the above commitments. I further affirm that all statements made above are true and correct to the best of my knowledge and belief.

| | |
|--|-----------------|
| Name and Title (printed): Timothy P. Collins, Regional Senior Vice President | |
| Signature:  | Date: 9-21-2017 |

(Franchising Entity)

City of South Lyon, a Michigan municipal corporation

| |
|------------------|
| By |
| Print Name |
| Title |
| Address |
| City, State, Zip |
| Phone |
| Fax |
| Email |
| Date |

ATTACHMENT 1



UNIFORM VIDEO SERVICES LOCAL FRANCHISE ACT
Act 480 of 2006

AN ACT to provide for uniform video service local franchises; to promote competition in providing video services in this state; to ensure local control of rights-of-way; to provide for fees payable to local units of government; to provide for local programming; to prescribe the powers and duties of certain state and local agencies and officials; and to provide for penalties.

History: 2006, Act 480, Eff. Jan. 1, 2007.

The People of the State of Michigan enact:

484.3301 Short title; definitions.

Sec. 1. (1) This act shall be known and may be cited as the "uniform video services local franchise act".

(2) As used in this act:

- (a) "Cable operator" means that term as defined in 47 USC 522(5).
- (b) "Cable service" means that term as defined in 47 USC 522(6).
- (c) "Cable system" means that term as defined in 47 USC 522(7).
- (d) "Commission" means the Michigan public service commission.
- (e) "Franchising entity" means the local unit of government in which a provider offers video services through a franchise.
- (f) "Household" means a house, an apartment, a mobile home, or any other structure or part of a structure intended for residential occupancy as separate living quarters.
- (g) "Incumbent video provider" means a cable operator serving cable subscribers or a telecommunication provider providing video services through the provider's existing telephone exchange boundaries in a particular franchise area within a local unit of government on the effective date of this act.
- (h) "IPTV" means internet protocol television.
- (i) "Local unit of government" means a city, village, or township.
- (j) "Low-income household" means a household with an average annual household income of less than \$35,000.00 as determined by the most recent decennial census.
- (k) "Open video system" or "OVS" means that term as defined in 47 USC 573.
- (l) "Person" means an individual, corporation, association, partnership, governmental entity, or any other legal entity.
- (m) "Public rights-of-way" means the area on, below, or above a public roadway, highway, street, public sidewalk, alley, waterway, or utility easements dedicated for compatible uses.
- (n) "Uniform video service local franchise agreement" or "franchise agreement" means the franchise agreement required under this act to be the operating agreement between each franchising entity and video provider in this state.
- (o) "Video programming" means that term as defined in 47 USC 522(20).
- (p) "Video service" means video programming, cable services, IPTV, or OVS provided through facilities located at least in part in the public rights-of-way without regard to delivery technology, including internet protocol technology. This definition does not include any video programming provided by a commercial mobile service provider defined in 47 USC 332(d) or provided solely as part of, and via, a service that enables users to access content, information, electronic mail, or other services offered over the public internet.
- (q) "Video service provider" or "provider" means a person authorized under this act to provide video service.
- (r) "Video service provider fee" means the amount paid by a video service provider or incumbent video provider under section 6.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3302 Uniform video service local franchise agreement; form; provisions.

Sec. 2. (1) No later than 30 days from the effective date of this act, the commission shall issue an order establishing the standardized form for the uniform video service local franchise agreement to be used by each franchising entity in this state.

(2) Except as otherwise provided by this act, a person shall not provide video services in any local unit of government without first obtaining a uniform video service local franchise as provided under section 3.

(3) The uniform video service local franchise agreement created under subsection (1) shall include all of the following provisions:

- (a) The name of the provider.

Rendered Wednesday, October 11, 2017

Page 1

Michigan Compiled Laws Complete Through PA 123 of 2017

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- (b) The address and telephone number of the provider's principal place of business.
- (c) The name of the provider's principal executive officers and any persons authorized to represent the provider before the franchising entity and the commission.
- (d) If the provider is not an incumbent video provider, the date on which the provider expects to provide video services in the area identified under subdivision (e).
- (e) An exact description of the video service area footprint to be served, as identified by a geographic information system digital boundary meeting or exceeding national map accuracy standards. For providers with 1,000,000 or more access lines in this state using telecommunication facilities to provide video services, the footprint shall be identified in terms of entire wire centers or exchanges. An incumbent video provider satisfies this requirement by allowing a franchising entity to seek right-of-way related information comparable to that required by a permit under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120, as set forth in its last cable franchise or consent agreement from the franchising entity entered before the effective date of this act.
- (f) A requirement that the provider pay the video service provider fees required under section 6.
- (g) A requirement that the provider file in a timely manner with the federal communications commission all forms required by that agency in advance of offering video service in this state.
- (h) A requirement that the provider agrees to comply with all valid and enforceable federal and state statutes and regulations.
- (i) A requirement that the provider agrees to comply with all valid and enforceable local regulations regarding the use and occupation of public rights-of-way in the delivery of the video service, including the police powers of the franchising entity.
- (j) A requirement that the provider comply with all federal communications commission requirements involving the distribution and notification of federal, state, and local emergency messages over the emergency alert system applicable to cable operators.
- (k) A requirement that the provider comply with the public, education, and government programming requirements of section 4.
- (l) A requirement that the provider comply with all customer service rules of the federal communications commission under 47 CFR 76.309(c) applicable to cable operators and applicable provisions of the Michigan consumers protection act, 1976 PA 331, MCL 445.901 to 445.922.
- (m) A requirement that the provider comply with the consumer privacy requirements of 47 USC 551 applicable to cable operators.
- (n) A requirement that the provider comply with in-home wiring and consumer premises wiring rules of the federal communications commission applicable to cable operators.
- (o) A requirement that an incumbent video provider comply with the terms which provide insurance for right-of-way related activities that are contained in its last cable franchise or consent agreement from the franchising entity entered before the effective date of this act.
- (p) A grant of authority by the franchising entity to provide video service in the video service area footprint as described under subdivision (e).
- (q) A grant of authority by the franchising entity to use and occupy the public rights-of-way in the delivery of the video service, subject to the laws of this state and the police powers of the franchising entity.
- (r) A requirement that the parties to the agreement are subject to the provisions of this act.
- (s) The penalties provided for under section 14.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3303 Franchise agreement with local unit of government; notice of completion; approval; transferability; termination or modification; notice of change in information; duration of franchise; renewal; certain conditions prohibited.

Sec. 3. (1) Before offering video services within the boundaries of a local unit of government the video provider shall enter into or possess a franchise agreement with the local unit of government as required by this act.

(2) A franchising entity shall notify the provider as to whether the submitted franchise agreement is complete as required by this act within 15 business days after the date that the franchise agreement is filed. If the franchise agreement is not complete, the franchising entity shall state in its notice the reasons the franchise agreement is incomplete.

(3) A franchising entity shall have 30 days after the submission date of a complete franchise agreement to approve the agreement. If the franchising entity does not notify the provider regarding the completeness of the franchise agreement or approve the franchise agreement within the time periods required under this subsection, the franchise agreement shall be considered complete and the franchise agreement approved.

(4) The uniform video service local franchise agreement issued by a franchising entity or an existing franchise of an incumbent video service provider is fully transferable to any successor in interest to the provider to which it is initially granted. A notice of transfer shall be filed with the franchising entity within 15 days of the completion of the transfer.

(5) The uniform video service local franchise agreement issued by a franchising entity may be terminated or the video service area footprint may be modified, except as provided under section 9, by the provider by submitting notice to the franchising entity.

(6) If any of the information contained in the franchise agreement changes, the provider shall timely notify the franchising entity.

(7) The uniform video service local franchise shall be for a period of 10 years from the date it is issued. Before the expiration of the initial franchise agreement or any subsequent renewals, the provider may apply for an additional 10-year renewal under this section.

(8) As a condition to obtaining or holding a franchise, a franchising entity shall not require a video service provider to obtain any other franchise, assess any other fee or charge, or impose any other franchise requirement than is allowed under this act. For purposes of this subsection, a franchise requirement includes, but is not limited to, a provision regulating rates charged by video service providers, requiring the video service providers to satisfy any build-out requirements, or a requirement for the deployment of any facilities or equipment.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3304 Public, education, and government access channels; availability; manner of retransmission; interconnection; editorial control; liability; access to signals of local broadcast television station; prohibited conduct by provider; use of reception technology; use for noncommercial purposes; applicability of subsections (7) to (11); request specifying number of channels in actual use.

Sec. 4. (1) A video service provider shall designate a sufficient amount of capacity on its network to provide for the same number of public, education, and government access channels that are in actual use on the incumbent video provider system on the effective date of this act or as provided under subsection (14).

(2) Any public, education, or government channel provided under this section that is not utilized by the franchising entity for at least 8 hours per day for 3 consecutive months may no longer be made available to the franchising entity and may be programmed at the provider's discretion. At such time as the franchising entity can certify a schedule for at least 8 hours of daily programming for a period of 3 consecutive months, the provider shall restore the previously reallocated channel.

(3) The franchising entity shall ensure that all transmissions, content, or programming to be retransmitted by a video service provider is provided in a manner or form that is capable of being accepted and retransmitted by a provider, without requirement for additional alteration or change in the content by the provider, over the particular network of the provider, which is compatible with the technology or protocol utilized by the provider to deliver services.

(4) A video service provider may request that an incumbent video provider interconnect with its video system for the sole purpose of providing access to video programming that is being provided over public, education, and government channels for a franchising entity that is served by both providers. Where technically feasible, interconnection shall be allowed under an agreement of the parties. The video service provider and incumbent video provider shall negotiate in good faith and may not unreasonably withhold interconnection. Interconnection may be accomplished by any reasonable method as agreed to by the providers. The requesting video service provider shall pay the construction, operation, maintenance, and other costs arising out of the interconnection, including the reasonable costs incurred by the incumbent provider.

(5) The person producing the broadcasts is solely responsible for all content provided over designated public, education, or government channels. A video service provider shall not exercise any editorial control over any programming on any channel designed for public, education, or government use.

(6) A video service provider is not subject to any civil or criminal liability for any program carried on any channel designated for public, education, or government use.

(7) Except as otherwise provided in subsection (8), a provider shall provide subscribers access to the signals of the local broadcast television station licensed by the federal communications commission to serve those subscribers over the air. This section does not apply to a low-power station unless the station is a qualified low-power station as defined under 47 USC 534(h)(2). A provider is required to only carry digital broadcast signals to the extent that a broadcast television station has the right under federal law or regulation to demand carriage of the digital broadcast signals by a cable operator on a cable system.

(8) To facilitate access by subscribers of a video service provider to the signals of local broadcast stations

under this section, a station either shall be granted mandatory carriage or may request retransmission consent with the provider.

(9) A provider shall transmit, without degradation, the signals a local broadcast station delivers to the provider. A provider is not required to provide a television station valuable consideration in exchange for carriage.

(10) A provider shall not do either of the following:

(a) Discriminate among or between broadcast stations and programming providers with respect to transmission of their signals, taking into account any consideration afforded the provider by the programming provider or broadcast station. In no event shall the signal quality as retransmitted by the provider be required to be superior to the signal quality of the broadcast stations as received by the provider from the broadcast television station.

(b) Delete, change, or alter a copyright identification transmitted as part of a broadcast station's signal.

(11) A provider shall not be required to utilize the same or similar reception technology as the broadcast stations or programming providers.

(12) A public, education, or government channel shall only be used for noncommercial purposes.

(13) Subsections (7) to (11) apply only to a video service provider that delivers video programming in a video service area where the provider is not regulated as a cable operator under federal law.

(14) If a franchising entity seeks to utilize capacity designated under subsection (1) or an agreement under section 13 to provide access to video programming over 1 or more public, governmental, and education channels, the franchising entity shall give the provider a written request specifying the number of channels in actual use on the incumbent video provider's system or specified in the agreement entered into under section 13. The video service provider shall have 90 days to begin providing access as requested by the franchising entity.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3305 Renewal or extension of existing franchise agreement; unreasonable and unenforceable provisions; burdensome terms, conditions, or requirements.

Sec. 5. (1) As of the effective date of this act, no existing franchise agreement with a franchising entity shall be renewed or extended upon the expiration date of the agreement.

(2) The incumbent video provider, at its option, may continue to provide video services to the franchising entity by electing to do 1 of the following:

(a) Terminate the existing franchise agreement before the expiration date of the agreement and enter into a new franchise under a uniform video service local franchise agreement.

(b) Continue under the existing franchise agreement amended to include only those provisions required under a uniform video service local franchise.

(c) Continue to operate under the terms of an expired franchise until a uniform video service local franchise agreement takes effect. An incumbent video provider has 120 days after the effective date of this act to file for a uniform video service local franchise agreement.

(3) On the effective date of this act, any provisions of an existing franchise that are inconsistent with or in addition to the provisions of a uniform video service local franchise agreement are unreasonable and unenforceable by the franchising entity.

(4) If a franchising entity authorizes 2 or more video service providers through an existing franchise, a uniform video service local franchise agreement, or an agreement under section 13, the franchising entity shall not enforce any term, condition, or requirement of any franchise agreement that is more burdensome than the terms, conditions, or requirements contained in another franchise agreement.

History: 2006, Act 480, Eff. Jan. 1, 2007.

***** 484.3306 Subsection (13) does not apply after December 31, 2009 *****

484.3306 Video service provider fee; payment; "gross revenues" defined; calculation; additional fee; credits; assessment; inapplicability of subsection after December 31, 2009.

Sec. 6. (1) A video service provider shall calculate and pay an annual video service provider fee to the franchising entity. The fee shall be 1 of the following:

(a) If there is an existing franchise agreement, an amount equal to the percentage of gross revenues paid to the franchising entity by the incumbent video provider with the largest number of subscribers in the franchising entity.

(b) At the expiration of an existing franchise agreement or if there is no existing franchise agreement, an amount equal to the percentage of gross revenues as established by the franchising entity not to exceed 5%

and shall be applicable to all providers.

(2) The fee due under subsection (1) shall be due on a quarterly basis and paid within 45 days after the close of the quarter. Each payment shall include a statement explaining the basis for the calculation of the fee.

(3) The franchising entity shall not demand any additional fees or charges from a provider and shall not demand the use of any other calculation method other than allowed under this act.

(4) For purposes of this section, "gross revenues" means all consideration of any kind or nature, including, without limitation, cash, credits, property, and in-kind contributions received by the provider from subscribers for the provision of video service by the video service provider within the jurisdiction of the franchising entity. Gross revenues shall include all of the following:

(a) All charges and fees paid by subscribers for the provision of video service, including equipment rental, late fees, insufficient funds fees, fees attributable to video service when sold individually or as part of a package or bundle, or functionally integrated, with services other than video service.

(b) Any franchise fee imposed on the provider that is passed on to subscribers.

(c) Compensation received by the provider for promotion or exhibition of any products or services over the video service.

(d) Revenue received by the provider as compensation for carriage of video programming on that provider's video service.

(e) All revenue derived from compensation arrangements for advertising attributable to the local franchise area.

(f) Any advertising commissions paid to an affiliated third party for video service advertising.

(5) Gross revenues do not include any of the following:

(a) Any revenue not actually received, even if billed, such as bad debt net of any recoveries of bad debt.

(b) Refunds, rebates, credits, or discounts to subscribers or a municipality to the extent not already offset by subdivision (a) and to the extent the refund, rebate, credit, or discount is attributable to the video service.

(c) Any revenues received by the provider or its affiliates from the provision of services or capabilities other than video service, including telecommunications services, information services, and services, capabilities, and applications that may be sold as part of a package or bundle, or functionally integrated, with video service.

(d) Any revenues received by the provider or its affiliates for the provision of directory or internet advertising, including yellow pages, white pages, banner advertisement, and electronic publishing.

(e) Any amounts attributable to the provision of video service to customers at no charge, including the provision of such service to public institutions without charge.

(f) Any tax, fee, or assessment of general applicability imposed on the customer or the transaction by a federal, state, or local government or any other governmental entity, collected by the provider, and required to be remitted to the taxing entity, including sales and use taxes.

(g) Any forgone revenue from the provision of video service at no charge to any person, except that any forgone revenue exchanged for trades, barter, services, or other items of value shall be included in gross revenue.

(h) Sales of capital assets or surplus equipment.

(i) Reimbursement by programmers of marketing costs actually incurred by the provider for the introduction of new programming.

(j) The sale of video service for resale to the extent the purchaser certifies in writing that it will resell the service and pay a franchise fee with respect to the service.

(6) In the case of a video service that is bundled or integrated functionally with other services, capabilities, or applications, the portion of the video provider's revenue attributable to the other services, capabilities, or applications shall be included in gross revenue unless the provider can reasonably identify the division or exclusion of the revenue from its books and records that are kept in the regular course of business.

(7) Revenue of an affiliate shall be included in the calculation of gross revenues to the extent the treatment of the revenue as revenue of the affiliate has the effect of evading the payment of franchise fees which would otherwise be paid for video service.

(8) In addition to the fee required under subsection (1), a video service provider shall pay to the franchising entity as support for the cost of public, education, and government access facilities and services an annual fee equal to 1 of the following:

(a) If there is an existing franchise on the effective date of this act, the fee paid to the franchising entity by the incumbent video provider with the largest number of cable service subscribers in the franchising entity as determined by the existing franchise agreement.

(b) At the expiration of the existing franchise agreement, the amount required under subdivision (a) not to exceed 2% of gross revenues.

(c) If there is no existing franchise agreement, a percentage of gross revenues as established by the franchising entity not to exceed 2% to be determined by a community need assessment.

(d) An amount agreed to by the franchising entity and the video service provider.

(9) The fee required under subsection (8) shall be applicable to all providers.

(10) The fee due under subsection (8) shall be due on a quarterly basis and paid within 45 days after the close of the quarter. Each payment shall include a statement explaining the basis for the calculation of the fee.

(11) A video service provider is entitled to a credit applied toward the fees due under subsection (1) for all funds allocated to the franchising entity from annual maintenance fees paid by the provider for use of public rights-of-way, minus any property tax credit allowed under section 8 of the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3108. The credits shall be applied on a monthly pro rata basis beginning in the first month of each calendar year in which the franchising entity receives its allocation of funds. The credit allowed under this subsection shall be calculated by multiplying the number of linear feet occupied by the provider in the public rights-of-way of the franchising entity by the lesser of 5 cents or the amount assessed under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120. A video service provider is not eligible for a credit under this subsection unless the provider has taken all property tax credits allowed under the metropolitan extension telecommunications rights-of-way oversight act, 2002 PA 48, MCL 484.3101 to 484.3120.

(12) All determinations and computations made under this section shall be pursuant to generally accepted accounting principles.

(13) The commission within 30 days after the enactment into law of any appropriation to it shall ascertain the amount of the appropriation attributable to the actual costs to the commission in exercising its duties under this act and shall be assessed against each video service provider doing business in this state. Each provider shall pay a portion of the total assessment in the same proportion that its number of subscribers for the preceding calendar year bears to the total number of video service subscribers in the state. The first assessment made under this act shall be based on the commission's estimated number of subscribers for each provider in the year that the appropriation is made. The total assessment under this subsection shall not exceed \$1,000,000.00 annually. This subsection does not apply after December 31, 2009.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3307 Audits; claims for unpaid fees or refunds; identification and collection as separate line item.

Sec. 7. (1) No more than every 24 months, a franchising entity may perform reasonable audits of the video service provider's calculation of the fees paid under section 6 to the franchising entity during the preceding 24-month period only. All records reasonably necessary for the audits shall be made available by the provider at the location where the records are kept in the ordinary course of business. The franchising entity and the video service provider shall each be responsible for their respective costs of the audit. Any additional amount due verified by the franchising entity shall be paid by the provider within 30 days of the franchising entity's submission of an invoice for the sum. If the sum exceeds 5% of the total fees which the audit determines should have been paid for the 24-month period, the provider shall pay the franchising entity's reasonable costs of the audit.

(2) Any claims by a franchising entity that fees have not been paid as required under section 6, and any claims for refunds or other corrections to the remittance of the provider, shall be made within 3 years from the date the compensation is remitted.

(3) Any video service provider may identify and collect as a separate line item on the regular monthly bill of each subscriber an amount equal to the percentage established under section 6(1) applied against the amount of the subscriber's monthly bill.

(4) A video service provider may identify and collect as a separate line item on the regular monthly bill of each subscriber an amount equal to the percentage established under section 6(8) applied against the amount of the subscriber's monthly bill.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3308 Installation, construction, and maintenance of video service or communications network within public right-of-way; access; fee; limitation.

Sec. 8. (1) A franchising entity shall allow a video service provider to install, construct, and maintain a video service or communications network within a public right-of-way and shall provide the provider with open, comparable, nondiscriminatory, and competitively neutral access to the public right-of-way.

(2) A franchising entity may not discriminate against a video service provider to provide video service for any of the following:

Rendered Wednesday, October 11, 2017

Page 6

Michigan Compiled Laws Complete Through PA 123 of 2017

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- (a) The authorization or placement of a video service or communications network in public rights-of-way.
- (b) Access to a building owned by a governmental entity.
- (c) A municipal utility pole attachment.

(3) A franchising entity may impose on a video service provider a permit fee only to the extent it imposes such a fee on incumbent video providers, and any fee shall not exceed the actual, direct costs incurred by the franchising entity for issuing the relevant permit. A fee under this section shall not be levied if the video service provider already has paid a permit fee of any kind in connection with the same activity that would otherwise be covered by the permit fee under this section or is otherwise authorized by law or contract to place the facilities used by the video service provider in the public rights-of-way or for general revenue purposes.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3309 Denial of service access due to race or income; defense to violation of subsection (1); video service requirements; number of households; report on compliance with subsections (2) and (3); use of alternative technology; waiver or time extension; service outside provider's existing telephone exchange boundaries not required; mandatory build-out or deployment provisions, schedules, or requirements.

Sec. 9. (1) A video service provider shall not deny access to service to any group of potential residential subscribers because of the race or income of the residents in the local area in which the group resides.

(2) It is a defense to an alleged violation of subsection (1) if the provider has met either of the following conditions:

(a) Within 3 years of the date it began providing video service under this act, at least 25% of households with access to the provider's video service are low-income households.

(b) Within 5 years of the date it began providing video service under this act and from that point forward, at least 30% of the households with access to the provider's video service are low-income households.

(3) If a video service provider is using telecommunication facilities to provide video services and has more than 1,000,000 telecommunication access lines in this state, the provider shall provide access to its video service to a number of households equal to at least 25% of the households in the provider's telecommunication service area in the state within 3 years of the date it began providing video service under this act and to a number not less than 50% of these households within 6 years. A video service provider is not required to meet the 50% requirement in this subsection until 2 years after at least 30% of the households with access to the provider's video service subscribe to the service for 6 consecutive months.

(4) Each provider shall file an annual report with the franchising entity and the commission regarding the progress that has been made toward compliance with subsections (2) and (3).

(5) Except for satellite service, a video service provider may satisfy the requirements of this section through the use of alternative technology that offers service, functionality, and content, which is demonstrably similar to that provided through the provider's video service system and may include a technology that does not require the use of any public right-of-way. The technology utilized to comply with the requirements of this section shall include local public, education, and government channels and messages over the emergency alert system as required under section 4.

(6) A video service provider may apply to the franchising entity, and, in the case of subsection (3), the commission, for a waiver of or for an extension of time to meet the requirements of this section if 1 or more of the following apply:

(a) The inability to obtain access to public and private rights-of-way under reasonable terms and conditions.

(b) Developments or buildings not being subject to competition because of existing exclusive service arrangements.

(c) Developments or buildings being inaccessible using reasonable technical solutions under commercial reasonable terms and conditions.

(d) Natural disasters.

(e) Factors beyond the control of the provider.

(7) The franchising entity or commission may grant the waiver or extension only if the provider has made substantial and continuous effort to meet the requirements of this section. If an extension is granted, the franchising entity or commission shall establish a new compliance deadline. If a waiver is granted, the franchising entity or commission shall specify the requirement or requirements waived.

(8) Notwithstanding any other provision of this act, a video service provider using telephone facilities to provide video service is not obligated to provide such service outside the provider's existing telephone exchange boundaries.

(9) Notwithstanding any other provision of this act, a video service provider shall not be required to comply with, and a franchising entity may not impose or enforce, any mandatory build-out or deployment provisions, schedules, or requirements except as required by this section.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3310 Prohibited conduct; establishment of dispute resolution process; notice to customers; filing of complaint; manner of dispute resolution.

Sec. 10. (1) A video service provider shall not do in connection with the providing of video services to its subscribers and the commission may enforce compliance with any of the following to the extent that the activities are not covered by section 2(3)(f):

(a) Make a statement or representation, including the omission of material information, regarding the rates, terms, or conditions of providing video service that is false, misleading, or deceptive. As used in this subdivision, "material information" includes, but is not limited to, all applicable fees, taxes, and charges that will be billed to the subscriber, regardless of whether the fees, taxes, or charges are authorized by state or federal law.

(b) Charge a customer for a subscribed service for which the customer did not make an initial affirmative order. Failure to refuse an offered or proposed subscribed service is not an affirmative order for the service.

(c) If a customer has canceled a service, charge the customer for service provided after the effective date the service was canceled.

(d) Cause a probability of confusion or a misunderstanding as to the legal rights, obligations, or remedies of a party to a transaction by making a false, deceptive, or misleading statement or by failing to inform the customer of a material fact, the omission of which is deceptive or misleading.

(e) Represent or imply that the subject of a transaction will be provided promptly, or at a specified time, or within a reasonable time, if the provider knows or has reason to know that it will not be so provided.

(f) Cause coercion and duress as a result of the time and nature of a sales presentation.

(2) Each video service provider shall establish a dispute resolution process for its customers. Each provider shall maintain a local or toll-free telephone number for customer service contact.

(3) Each provider shall notify its customers not less than annually of the dispute resolution process created under this section. Each provider shall include the dispute resolution process on its website.

(4) Before a customer can file a complaint with the commission under subsection (5), the customer shall first attempt to resolve the dispute through the dispute resolution process established by the provider under subsection (2). If the dispute cannot be resolved by the provider's dispute resolution process, the customer may file a complaint with the commission under subsection (5). The provider shall provide the customer with the commission's toll-free customer service number and website address.

(5) A complaint filed under this section involving a dispute between a customer and a provider shall be handled by the commission in the following manner:

(a) An attempt to resolve the dispute shall first be made through an informal resolution process. Upon receiving a complaint, the commission shall forward the complaint to the provider and attempt to informally mediate a resolution. The provider shall have 10 business days to respond and offer a resolution. If the dispute cannot be resolved through the informal process, the customer can file a formal complaint under subdivision (b).

(b) A formal complaint filed under this subdivision shall be in writing and shall state the section or sections of this act that the customer alleges the provider has violated, sufficient facts to support the allegations, and the exact relief sought from the provider. The formal complaint shall comply with the same requirements of a written complaint filed under section 203 of the Michigan telecommunications act, 1991 PA 179, MCL 484.2203. The complaint shall be resolved by 1 of the following:

(i) If the dispute involves an amount of \$5,000.00 or less, the commission shall appoint a mediator within 7 business days of the date the complaint is filed. The mediator shall make recommendations for resolution within 30 days from the date of appointment. Within 10 days of the date of the mediator's recommendations, any named party in the complaint may request a contested case as provided under subparagraph (ii).

(ii) If the dispute involves an amount greater than \$5,000.00, a contested case hearing in the same manner as provided under section 203 of the Michigan telecommunications act, 1991 PA 179, MCL 484.2203.

(6) If the dispute is between a provider and a franchising entity or between 2 or more providers, the dispute will be resolved in the following manner:

(a) An attempt to resolve the dispute shall first be made through an informal resolution process. If a provider or franchising entity believes that a violation of this act or the franchising agreement has occurred, the provider or franchising entity may begin an informal complaint process with the commission. The provider or the franchising entity shall file with the commission a written notice of dispute identifying the

nature of the dispute, request an informal dispute resolution, and serve the notice of dispute on the other party. Commission staff will conduct an informal mediation in an attempt to resolve the dispute. If a satisfactory resolution to the dispute is not achieved, any named party in the complaint may file a formal complaint under subdivision (b).

(b) A formal complaint to the commission filed under this subdivision shall be in writing and shall state the section or sections of this act or parts of the franchising agreement that the party alleges have been violated, sufficient facts to support the allegations, the relief requested, and shall further contain all information, testimony, exhibits, or other documents and information within the moving party's possession on which the party intends to rely to support the complaint. For a period of 60 days after the date the complaint is filed, the parties shall attempt alternative means of resolving the complaint. If the parties cannot agree on the alternative means within 10 days after the date the complaint is filed, the commission shall order mediation. Within 60 days from the date mediation is ordered, the mediator shall issue a recommended settlement. Within 7 days after the date the recommended settlement is issued, each party shall file with the commission a written acceptance or rejection of the recommended settlement. If the parties accept the recommendation, then the recommendation shall become the final order in the contested case. If a party rejects or fails to respond within 7 days to the recommended settlement, then the complaint shall proceed to a contested case hearing in the same manner as provided under section 203 of the Michigan telecommunications act, 1991 PA 179, MCL 484.2203. A party that rejects the recommended settlement shall pay the opposing party's actual costs of proceeding to a contested case hearing, including a reasonable, nonexcessive attorney fee, unless the final order of the commission is more favorable to the rejecting party than the recommended settlement. A final order is considered more favorable if it differs by 10% or more from the recommended settlement in favor of the rejecting party. If the recommendation is not accepted, the individual commissioners shall not be informed of the recommended settlement until they have issued their final order.

History: 2006, Act 480, Eff. Jan. 1, 2007;—Am. 2009, Act 4, Imd. Eff. Apr. 2, 2009.

484.3311 Confidentiality.

Sec. 11. (1) Except under the terms of a mandatory protective order, trade secrets and commercial or financial information submitted under this act to the franchising entity or commission are exempt from the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.

(2) If information is disclosed under a mandatory protective order, then the franchising entity or commission may use the information for the purpose for which it is required, but the information shall remain confidential.

(3) There is a rebuttable presumption that costs studies, customer usage data, marketing studies and plans, and contracts are trade secrets or commercial or financial information protected under subsection (1). The burden of removing the presumption under this subsection is with the party seeking to have the information disclosed.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3312 Administration of act; limitations; report.

Sec. 12. (1) The commission's authority to administer this act is limited to the powers and duties explicitly provided for under this act, and the commission shall not have the authority to regulate or control a provider under this act as a public utility.

(2) The commission shall file a report with the governor and legislature by February 1 of each year that shall include information on the status of competition for video services in this state and recommendations for any needed legislation. A video service provider shall submit to the commission any information requested by the commission necessary for the preparation of the annual report required under this subsection. The obligation of a video service provider under this subsection is limited to the submission of information generated or gathered in the normal course of business.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3313 Voluntary franchise agreement.

Sec. 13. This act does not prohibit a local unit of government and a video service provider from entering into a voluntary franchise agreement that includes terms and conditions different than those required under this act, including, but not limited to, a reduction in the franchise fee in return for the video service provider making available to the franchising entity services, equipment, capabilities, or other valuable consideration. This section does not apply unless for each provider servicing the franchise entity it is technically feasible and commercially practicable to comply with similar terms and conditions in the franchise agreement and it is offered to the other provider.

History: 2006, Act 480, Eff. Jan. 1, 2007.

484.3314 Violation; remedies and penalties; costs; appeal and review.

Sec. 14. (1) After notice and hearing, if the commission finds that a person has violated this act, the commission shall order remedies and penalties to protect and make whole persons who have suffered damages as a result of the violation, including, but not limited to, 1 or more of the following:

(a) Except as otherwise provided under subdivision (b), order the person to pay a fine for the first offense of not less than \$1,000.00 or more than \$20,000.00. For a second and any subsequent offense, the commission shall order the person to pay a fine of not less than \$2,000.00 or more than \$40,000.00.

(b) If the video service provider has less than 250,000 telecommunication access lines in this state, order the person to pay a fine for the first offense of not less than \$200.00 or more than \$500.00. For a second and any subsequent offense, the commission shall order the person to pay a fine of not less than \$500.00 or more than \$1,000.00.

(c) If the person has received a uniform video service local franchise, revoke the franchise.

(d) Issue cease and desist orders.

(2) Notwithstanding subsection (1), a fine shall not be imposed for a violation of this act if the provider has otherwise fully complied with this act and shows that the violation was an unintentional and bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid the error. Examples of a bona fide error include clerical, calculation, computer malfunction, programming, or printing errors. An error in legal judgment with respect to a person's obligations under this act is not a bona fide error. The burden of proving that a violation was an unintentional and bona fide error is on the provider.

(3) If the commission finds that a party's complaint or defense filed under this section is frivolous, the commission shall award to the prevailing party costs, including reasonable attorney fees, against the nonprevailing party and their attorney.

(4) Any party of interest shall have the same rights to appeal and review an order or finding of the commission under this act as provided under the Michigan telecommunications act, 1991 PA 179, MCL 484.2101 to 484.2604.

History: 2006, Act 480, Eff. Jan. 1, 2007.

***** 484.3315 THIS SECTION DOES NOT APPLY AFTER DECEMBER 31, 2015 *****

484.3315 Costs to commission in exercising duties; assessment of amount against each video service provider; limitation; deduction; credit of payments to special account; applicability of section.

Sec. 15. (1) Effective January 1, 2010, the commission within 30 days after the enactment into law of any appropriation to it shall ascertain the amount of the appropriation attributable to the actual costs to the commission in exercising its duties under this act and that amount shall be assessed against each video service provider doing business in this state. Each provider shall pay a portion of the total assessment in the same proportion that its number of subscribers for the preceding calendar year bears to the total number of video service subscribers in the state. The total assessment under this section shall not exceed \$1,000,000.00 annually.

(2) For the state fiscal year commencing October 1, 2009 and annually thereafter, there shall be deducted from any amount to be assessed under subsection (1) an amount equal to the difference by which the actual expenditures of the commission attributable to exercising its duties under this act for the previous fiscal year are less than the amount assessed against each video service provider in the previous fiscal year. The deductions shall be made in the same proportion as the original assessment in subsection (1).

(3) All money paid into the state treasury by a video service provider under subsection (1) shall be credited to a special account, to be utilized solely to finance the cost to the commission of exercising its duties under this act.

(4) This section does not apply after December 31, 2015.

History: Add. 2009, Act 191, Imd. Eff. Dec. 22, 2009.

Cable Franchising & PA 480 of 2006

History

- Local governments have been regulating cable since the technology first appeared in the 1950's
- Cable system, officially adopted by Congress in 1984, has survived two significant Communication Act amendments
- The Federal Cable Act split regulatory responsibilities between the federal government and local governments.

New Michigan Video Franchising System: PA 480 2006

- Why this legislation? Telephone companies did not like the negotiations associated with the traditional cable franchising process
- They pushed at the state and federal levels to "streamline" the traditional franchising process
- Cable operators: "If phone companies get it, we should too"
- PA 480 of 2006 brings Saturn's "NO HAGGLE" policy to video franchising - it was suppose to eliminate the negotiation process
- MPSC adopted the Uniform Franchise which all communities are required to use; it renders all inconsistent provisions in existing franchises "unreasonable and unenforceable" and establishes strict deadlines local governments must follow to process franchise applications

Top Ten Changes Imposed by PA 480 of 2006

1. Local governments cannot require a "provider" to actually provide service
2. Right-of-way requirements lost from current franchise
3. No build-out requirements
4. Franchise fees calculated differently, payment timing changes, audit rights
5. reduced
6. Previous in-kind services may have to be paid for by local government
7. Local governments must program PEG channels 8 hrs/day for 3 consecutive months to keep the PEG channel
8. Uniform Franchises may be freely assigned
9. PEG programming must be produced by party other than provider and delivered by producer
10. Local governments subject to MPSC jurisdiction
11. Local governments cannot enforce any conflicting provisions

Summary of PA 480 Concepts

- Uniform Franchise is about 7 pages
- Communities must use MPSC-issued Uniform Franchise (unless community and provider agree otherwise)
- Local government must strictly adhere to deadlines established by PA 480 of 2006
- Act's definition of gross revenues is fairly broad - may increase franchisee fee payments
- Local governments with franchises that expired Jan. 1, 2007 may be able to claim an additional 2% PEG of gross revenue for PEG purposes
- Broad police power authority retained
- Local governments fill out the franchise fee on the uniform agreement - fee can be 0-5%
- Local governments must itemize all existing PEG costs and in-kind services and convert that number into a defensible PEG number percentage on the uniform agreement

Uniform Franchise Timing

Depends on the state of local government's current franchise

12. Expired Franchises:

- May not extend or renew
- Cable company applied for Uniform Franchise by May 1, 2007
- If you have an expired franchise, please call David Worthams at (517) 908-0303

13. Mid-term Franchises - Cable operator can, at will:

- Terminate existing franchise, replace with Uniform Franchise
- Amend existing franchise to conform to Uniform Franchise
- Continue under expired franchise until Uniform Franchise takes effect
- Negotiate new, mutually agreeable franchise differing from franchise and Uniform Franchise

Uniform Franchise Procedure

- Provider sends Uniform Franchise to clerk (RRR or overnight)
- 15 business days after filing - must inform applicant whether application is complete
- 30 days after submission - must complete franchise to approve by council
- If not approved within 30 days - deemed approved by Operation-of-Law

This Legislative Brief is derived from presentation materials of Jon D. Kreucher, attorney, Howard & Howard (JKreucher@howardandhoward.com). His presentation was part of a League hot topic seminar held February, 2007.

AGENDA NOTE

New Business: Item #

MEETING DATE: October 23, 2017

PERSON PLACING ITEM ON AGENDA: City Manager

AGENDA TOPIC: Consider setting official Trick or Treat hours for Halloween October 31, 2017 within the City limits.

EXPLANATION OF TOPIC: Consider setting official Trick or Treat hours for Halloween October 31, 2017 within the City limits. In the past the City has set the official Trick or Treat for Halloween evening between 6 pm and 8 pm on Halloween. As Halloween falls on a Tuesday this year it is understandable that there will be questions about whether the City has set the times for the actual Holiday or the weekend before.

MATERIALS ATTACHED AS SUPPORTING DOCUMENTS: N/A

POSSIBLE COURSES OF ACTION: Approve/Deny/Postpone

RECOMMENDATION: Approve setting the official Trick or Treat hours for the City of South Lyon between the hours of 6 pm and 8 pm on October 31st.

SUGGESTED MOTION: Motion by _____, supported by _____ to approve setting the official Trick or Treat hours for the City of South Lyon between the hours of 6 pm and 8 pm on October 31st.

AGENDA NOTE

New Business: Item #

MEETING DATE: October 23, 2017

PERSON PLACING ITEM ON AGENDA: Economic Development Director

AGENDA TOPIC: Downtown Trick-or-Treat 2017 – Downtown Road Closures

EXPLANATION OF TOPIC: A request was received for a permit for the Downtown Trick-or-Treat event and associated road closures planned for Thursday, October 26, 2017 from 6:00 p.m. until 8:00 p.m.

MATERIALS ATTACHED AS SUPPORTING DOCUMENTS: application, road closure resolution

POSSIBLE COURSES OF ACTION: Approve/do not approve the requested road closures.

RECOMMENDATION: Approve the requested road closures.

SUGGESTED MOTION: Motion by _____, supported by _____

Resolved That Lisa Deaton, City Clerk/Treasurer is hereby authorized to make application to the Road Commission for Oakland County on behalf of the City of South Lyon in the County of Oakland, Michigan for the necessary permits to conduct the Downtown Trick-or-Treat Event on October 26, 2017 and the related road closures: Lafayette Street between Liberty Street and Whipple Street; Lake Street between Wells Street and Washington Street; from 6:00 p.m. on October 26, 2017 until 9:00 p.m. on October 26, 2017.

And that the City of South Lyon in the County of Oakland, Michigan will faithfully fulfill all permit requirements, and shall save harmless, indemnify, defend and represent the Board against any and all claims for bodily injury or property damage, or any other claim arising out of or related to operations authorized by such permits as issued.

10/23/17



SOUTH LYON POLICE DEPARTMENT

219 Whipple

South Lyon, Michigan 48178

Ph: (248)437-1773 / Fax: (248)437-0459

Lloyd T. Collins

Chief of Police

PARADE / DEMONSTRATION/EVENT APPLICATION

Date Application Submitted: 10/13/17 Requested Date of Event: 10/26/17
Applicant / Contact's Name: DDA / Bob Donohue PH #: 947.777.9355
Applicant Address: 335 South Warren St., South Lyon, MI 48178
Name of Event(s): Kids - Trick-or-Treat & Zombie Walk
Business / Organizations Name (if Applicable): DDA
Bus. Ph#: SAME AS ABOVE Bus. Address: SAME AS ABOVE
President / CEO (Responsible for Event): SAME AS ABOVE Direct Ph#: SAME

Event START Time: 6:00 a.m./p.m. Event END Time: 8:00 a.m./p.m.
Approximate Number of PERSONS: 4,000 Organization Names: LOCAL FAMILIES

Approximate Number of VEHICLES: 0 Types of Vehicles: N/A

Approximate Number of ANIMALS: 0 SPECIFIC Animals: N/A

Amount of space to be maintained between and /all units in Parade: N/A

Route to be traveled (Include Street Names and Turning Directions) or area to be utilized:

STREET CLOSURE: (• N. Lafayette ~~to~~ Whipple Street to
Lake Street • S. Lafayette - Lake St. to Liberty St.,
• E. Lake Street - Wells St. - Lafayette St., • W. Lake
St. - Lafayette to Washington St.

Robert E. Donohue Jr.
Applicant's SIGNATURE

Robert E. Donohue Jr.
Responsible Party's SIGNATURE

APPROVED [✓]

DENIED []

Chief Lloyd T. Collins 10/17/17
Lloyd T. Collins, Chief of Police

AGENDA NOTE

New Business: Item #

MEETING DATE: October 23, 2017

PERSON PLACING ITEM ON AGENDA: City Manager

AGENDA TOPIC: 7. Discussion and Consideration of new hire MERS retirement plan.

EXPLANATION OF TOPIC: At a study session on Thursday October 5th the Council met with a representative from MERS to discuss possible options to modify the City's retirement plan offering to new hire members of the city workforce. Plans that were provided and discussed include three reduced multiplier/higher employee contribution defined benefit plans, a single defined contribution plan and a defined contribution/457 plan referred to by MERS as the DC plus plan. There was not any supporting paperwork for the DC plus plan but information regarding this plan can be found in the draft minutes for that study session.

MATERIALS ATTACHED AS SUPPORTING DOCUMENTS: Information related to the 3 defined benefit plans, Information regarding the sole defined contribution plan and a copy of the City's 2016 Actuarial analysis from MERS.

POSSIBLE COURSES OF ACTION: Consider taking action to begin the process of implementing one of the proposed and previously discussed MERS plans for new hires.

RECOMMENDATION: Adopt and begin the implementation process of the DC plus defined contribution/457 plan with the City agreeing to match up to 8% (the state average is 8.3%) of the employee contribution up to the allowable IRS contribution

SUGGESTED MOTION: Motion by _____, supported by _____ to adopt and begin the implementation process of the DC plus defined contribution/457 plan with the City agreeing to match up to 8% (the state average is 8.3%) of the employee contribution up to the allowable IRS contribution.

MERS DB Plan – Estimated Employer Contribution Rate
City of South Lyon #6315 – Divisions 01, 02, 10, 11, 20
New Hires, Rehires & Transfers¹

| | |
|--|---------------------------|
| Benefit Provisions | |
| ▪ Benefit Formula | 1.50% Multiplier (no max) |
| ▪ Normal Retirement Age | 60 |
| ▪ Vesting Provision | V-8 |
| ▪ Early Retirement (Unreduced) | F55(25) |
| ▪ Early Retirement (Reduced) | 50/25 |
| | 55/15 |
| ▪ FAC Period | FAC-5 |
| ▪ Member Contribution Rate ² | 5.00% |
| ▪ Disability and Death Benefits | MERS Standard |
| ▪ Benefit E-2 | - |
| ▪ SLIF or Maximum Leave Provision | - |
| Estimated Average Entry Age of New Hires | 30 years |
| Expected Average Vesting/Eligibility Service | 0.0 years |
| Employer Contribution as a Percentage of Payroll | 2.32% |

¹ The employer contribution above reflects normal cost of new hires only. Rehires and transfers with prior benefit and/or eligibility service different than what is shown above would likely result in a higher cost as a percentage of payroll. Future experience of any rehires/transfers will adjust the required contribution in subsequent annual actuarial valuations, including any unfunded accrued liability.

² If member contributions increase/decrease by 1.00% of pay, the Employer Normal Cost Rate will decrease/increase by 0.74%.

**MERS DB Plan – Estimated Employer Contribution Rate
City of South Lyon #6315 – Divisions 01, 02, 10, 11, 20
New Hires, Rehires & Transfers¹**

| | |
|--|---------------------------|
| Benefit Provisions | |
| ▪ Benefit Formula | 1.75% Multiplier (no max) |
| ▪ Normal Retirement Age | 60 |
| ▪ Vesting Provision | V-10 |
| ▪ Early Retirement (Unreduced) | F55(25) |
| ▪ Early Retirement (Reduced) | 50/25 |
| | 55/15 |
| ▪ FAC Period | FAC-5 |
| ▪ Member Contribution Rate ² | 5.00% |
| ▪ Disability and Death Benefits | MERS Standard |
| ▪ Benefit E-2 | - |
| ▪ SLIF or Maximum Leave Provision | - |
| Estimated Average Entry Age of New Hires | 30 years |
| Expected Average Vesting/Eligibility Service | 0.0 years |
| Employer Contribution as a Percentage of Payroll | 3.37% |

¹ The employer contribution above reflects normal cost of new hires only. Rehires and transfers with prior benefit and/or eligibility service different than what is shown above would likely result in a higher cost as a percentage of payroll. Future experience of any rehires/transfers will adjust the required contribution in subsequent annual actuarial valuations, including any unfunded accrued liability.

² If member contributions increase/decrease by 1.00% of pay, the Employer Normal Cost Rate will decrease/increase by 0.76%.

MERS DB Plan – Estimated Employer Contribution Rate
City of South Lyon #6315 – Divisions 01, 02, 10, 11, 20
New Hires, Rehires & Transfers¹

| | |
|--|---------------------------|
| Benefit Provisions | |
| ▪ Benefit Formula | 2.00% Multiplier (no max) |
| ▪ Normal Retirement Age | 60 |
| ▪ Vesting Provision | V-10 |
| ▪ Early Retirement (Unreduced) | F55(25) |
| ▪ Early Retirement (Reduced) | 50/25 |
| | 55/15 |
| ▪ FAC Period | FAC-5 |
| ▪ Member Contribution Rate ² | 5.00% |
| ▪ Disability and Death Benefits | MERS Standard |
| ▪ Benefit E-2 | - |
| ▪ SLIF or Maximum Leave Provision | - |
| Estimated Average Entry Age of New Hires | 30 years |
| Expected Average Vesting/Eligibility Service | 0.0 years |
| Employer Contribution as a Percentage of Payroll | 4.45% |

¹ The employer contribution above reflects normal cost of new hires only. Rehires and transfers with prior benefit and/or eligibility service different than what is shown above would likely result in a higher cost as a percentage of payroll. Future experience of any rehires/transfers will adjust the required contribution in subsequent annual actuarial valuations, including any unfunded accrued liability.

² If member contributions increase/decrease by 1.00% of pay, the Employer Normal Cost Rate will decrease/increase by 0.78%.

Important Comments

- The actuarial assumptions and the methods used in these calculations are the same as the assumptions and methods that were used in the December 31, 2016 MERS annual actuarial valuations, unless otherwise noted. The following assumptions are unique to this municipality:
 - A withdrawal rate scaling factor of 1.0 was applied to the standard MERS withdrawal table in order to better reflect the withdrawal experience of this municipality.
 - A final average compensation (FAC) increase assumption of 4% was used for this division to reflect deviations within this municipality, if any, between actual FAC experience at retirement and what was expected based on previously reported annual pays.
- If new hires have prior service that can be used for vesting and/or eligibility purposes, the actual employer contribution may be materially different than the rate shown above.

3. The reader of this report should understand that actuarial calculations are mathematical estimates based on current data and assumptions about future events that may or may not materialize. Actuarial calculations can vary from one valuation year to the next, and the actual employer contribution rate can and will change over time as the assumptions about future events are replaced by actual experience.
4. The estimated average entry age of future new hires was provided by the employer. Please note this is a very important assumption because the estimated employer contribution rate depends, in part, on the entry age of the new hires. Generally, the older the new hires, the higher the employer cost as a percentage of payroll. If the entry age of future new hires is materially different from the assumed entry age, the actual employer contribution could be materially different than the estimated employer contribution shown above.
5. If you have questions on the above results, or how to implement this benefit, please contact MERS at (800) 767-2308.



CBIZ Retirement Plan Services
CBIZ Benefits & Insurance Services, Inc.
17199 Laurel Park North, Ste. 405
Livonia, MI 48152
<http://retirement.cbiz.com>

Municipal Employees' Retirement System of Michigan

South Lyon, City of (6315)
All Divisions
Retirement Plan Options



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Livonia, MI 48152
<http://retirement.cbiz.com>

September 8, 2017

In care of:
Municipal Employees' Retirement
System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

The purpose of this report is to show the financial implications to the employer of different retirement plan design options for South Lyon, City of (6315) – Divisions 01, 02, 10, 11, and 20. The report consists of separate sections that correspond to the different plan options under consideration. In addition, there is an executive summary at the beginning of the report that summarizes all the options under consideration and shows the results for each option in graphical form, if multiple options are requested. Each section contains the following additional detail:

- An executive summary that describes the plan provisions and provides a brief explanation of the results.
- An exhibit showing the short-term impact of the proposed benefit change – that is, the impact on next year's contribution (this exhibit is only shown for supplemental valuations and supplemental valuations with bridge benefits).
- An exhibit showing the long term contribution impact of the proposed benefit change (i.e. a projection of the Actuarial Accrued Liabilities, Valuation Assets, funded ratio, and employer contributions under both the current and proposed plans).
- A graph showing the projected funded ratio and employer contribution under both the current and proposed plans.

This report should not be relied upon for any other purpose. Reliance on information contained in this report by anyone for anything other than the intended purpose could be misleading.

The information in this report is purely actuarial in nature. It is not intended to serve as a substitute for legal, accounting, and investment advice.

This report was prepared at the request of MERS and the municipality and may be provided only in its entirety by the municipality to other interested parties. CBIZ Retirement Plan Services is not responsible for the consequences of any unauthorized use.

Please see the Comments on Asset Smoothing in the annual valuation report.

Please refer to the following sections of this report for additional information:

- Risk Characteristics of Defined Benefit Plans
- Important Comments

Page 2 of 21



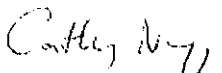
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- Miscellaneous and Technical Assumptions

The undersigned are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you need further information to make an informed decision, please contact MERS at (800) 767-6377 for assistance.

Sincerely,


Cathy Nagy, FSA, MAAA
Actuary


Curt Powell, EA, MAAA
Senior Analyst



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TABLE OF CONTENTS

Page Number

| | |
|--|---------|
| Option 1 - Change from a Defined Benefit to a Defined Contribution Plan – No Conversions | 5 – 17 |
| Risk Characteristics of Defined Benefit Plans | 18 |
| Important Comments | 19 – 20 |
| Miscellaneous and Technical Assumptions | 21 |



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Option 1

Changing from a Defined Benefit to a Defined Contribution Plan – No Conversions



Executive Summary

The purpose of this report is to show the impact on the liabilities and contributions if South Lyon, City of (6315) closes the Defined Benefit plan to new entrants and adopts a Defined Contribution (DC) plan for new hires.

The following proposed benefit changes have been considered:

| Division | Change in Benefits |
|--|---|
| AFSME (01) Pol/Fire (02) Non Union (10) Clerical (11) Command (20) | Closed DB plan DC plan – 8% of pay employer contributions New Hires only covered by DC plan |

The results of our calculations are shown as follows:

- **Baseline:** This is the current open DB plan.
- **Option 1:** This is the closed DB plan and the new DC plan.
- In order to illustrate the impact of the proposed benefit change, we are showing projections under both the current and the proposed benefits. The projection results are illustrated both in tabular and graphical form.

Please note the following regarding these calculations:

- To compare the long term cost of the various plans, the reader should compare the following (see table below):
 - **Current Plan – Open DB plan:** The employer normal cost represents the long term annual cost of the benefits. This is the amount the employer is expected to pay once the unfunded accrued liability is paid off.
 - **Proposed Plan – DC plan:** The proposed employer contribution rate to the DC plan.

| Division | Current Plan | | | Proposed Plan |
|----------|-------------------|------------------------|----------------------|--------------------------------------|
| | Total Normal Cost | Employee Contributions | Employer Normal Cost | Employer Contribution to the DC Plan |
| 01 | 10.90% | 1.23% | 9.67% | 8.00% |
| 02 | 10.85% | 1.00% | 9.85% | 8.00% |
| 10 | 11.56% | 1.27% | 10.29% | 8.00% |
| 11 | 13.30% | 1.27% | 12.03% | 8.00% |
| 20 | 10.23% | 1.00% | 9.23% | 8.00% |



- The proposed plan changes illustrated in this report are valued as if they occur on the valuation date (December 31, 2016). Therefore the results in this report should not be used for short-term budgeting purposes. These projections illustrate the long term pattern of employer contributions for the purpose of comparing the financial implications of each plan design.
- Please note the following regarding divisions that become closed to new hires (with new hires entering the DC plan):
 - The division will remain on the current amortization schedule (22 years in the December 31, 2016 annual valuation decreasing by one until the initial UAL is paid off). This is the default amortization policy unless the actuaries to the plan determine that accelerating the amortization payments is necessary for the benefit security of the plan members.
 - Assets cannot be shared between the closed DB division and the DC plan, even if the employees are part of the same employee classification (bargaining unit). This is because in a DC plan, the assets represent individual account balances and are only payable to that member or the beneficiary. In comparison, in a DB plan the assets are comingled and can be used to pay the benefits for any member in that division, with the exception of member account balances. Member account balances can only be paid to the member or the beneficiary.
 - In the long term, the total cost for the division that is closed to new hires is lower than if the division remains open because fewer employees are expected to receive benefits from the existing DB plan.
 - In order to make a valid comparison of the current and proposed plans, the employer cost of benefits for new employees must be added to the cost from the closed DB division.



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Municipal Employees Retirement System of Michigan
South Lyon, City of (5007) - Division 01
10 Year Projections of Employer Contributions and Funded Ratios

| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan | | | | | | | | | |
|--|--|---|---------------------|-----------------|--|---|-------------------------|------------------------|--|---|--|
| | | Baseline | | | | | Employer Contributions | | | | |
| | | Actuarial Accrued Liability | Valuation Assets | Funded Ratio | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | For Existing DB Plan | For New Hires to DC | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | |
| 2016 | 2018 | 4,931,980 | 3,250,213 | 66% | 203,000 | 203,000 | 193,000 | 9,000 | 202,000 | 202,000 | |
| 2017 | 2019 | 5,125,000 | 3,322,000 | 65% | 218,000 | 210,000 | 202,000 | 14,000 | 216,000 | 208,000 | |
| 2018 | 2020 | 5,326,000 | 3,411,000 | 64% | 233,000 | 217,000 | 212,000 | 19,000 | 231,000 | 215,000 | |
| 2019 | 2021 | 5,514,000 | 3,479,000 | 63% | 250,000 | 224,000 | 223,000 | 24,000 | 247,000 | 221,000 | |
| 2020 | 2022 | 5,689,000 | 3,536,000 | 61% | 260,000 | 224,000 | 227,000 | 28,000 | 255,000 | 220,000 | |
| 2021 | 2023 | 5,857,000 | 3,589,000 | 61% | 269,000 | 224,000 | 231,000 | 33,000 | 264,000 | 220,000 | |
| 2022 | 2024 | 6,048,000 | 3,694,000 | 61% | 279,000 | 224,000 | 235,000 | 38,000 | 273,000 | 219,000 | |
| 2023 | 2025 | 6,234,000 | 4,191,000 | 67% | 289,000 | 224,000 | 240,000 | 42,000 | 282,000 | 218,000 | |
| 2024 | 2026 | 6,407,000 | 4,381,000 | 68% | 300,000 | 224,000 | 246,000 | 47,000 | 293,000 | 218,000 | |
| 2025 | 2027 | 6,577,000 | 4,577,000 | 70% | 311,000 | 224,000 | 252,000 | 51,000 | 303,000 | 218,000 | |
| 2026 | 2028 | 6,755,000 | 4,790,000 | 71% | 323,000 | 224,000 | 259,000 | 55,000 | 314,000 | 217,000 | |

Notes:

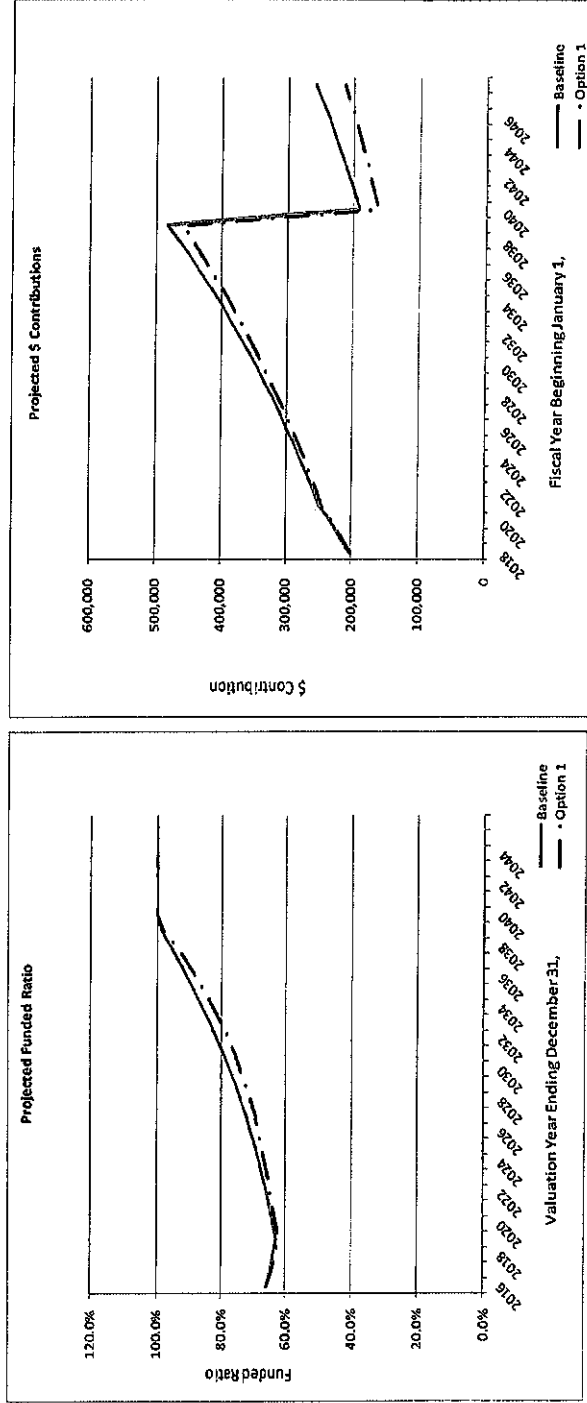
- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
- (2) Contributions are calculated for the applicable fiscal year.
- (3) The impact of the assumption changes is phased-in over a 5 year period. This phase-in is not reflected in either the Baseline or Option 1.
- (4) Under Option 1, the Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are for the DB plan only.
- (5) Employer contribution to the DC plan was based on a contribution rate of 8% of pay.

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Municipal Employees' Retirement System of Michigan
South Lyon, City of (5007) - Division 01



Baseline
 Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC plan

Comments:

In the long run, the employer contribution will trend towards the long term cost of the different benefit structures. The long term cost of the various benefit structures expressed as a percent of pay is shown in the table below:

| | Baseline | Option 1 |
|-------------------------|----------|----------|
| Total long term cost | 10.90% | 8.00% |
| Employee contribution | 1.23% | 0.00% |
| Employer long term cost | 9.67% | 8.00% |

Under Option 1 the above graph shows the total employer contribution to the closed DB plan and the DC plan for new hires.

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Municipal Employees Retirement System of Michigan
South Lyon, City of (5007) - Division 02
10 Year Projections of Employer Contributions and Funded Ratios

| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Baseline | | | | | | | | | | |
|--|--|-----------------------------------|---------------------|-----------------|--|---|----------------------------|---------------------|-------------------------|------------------------|--|---|
| | | Actuarial Accrued Liability | Valuation Assets | Funded Ratio | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | DB Plan Funded Ratio | Valuation Assets | For Existing DB Plan | For New Hires to DC | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars |
| 2016 | 2018 | 3,644,116 | 2,587,869 | 71% | 156,000 | 156,000 | 71% | 2,588,000 | 150,000 | 4,000 | 154,000 | 154,000 |
| 2017 | 2019 | 3,944,000 | 2,802,000 | 71% | 167,000 | 161,000 | 71% | 2,804,000 | 158,000 | 7,000 | 165,000 | 159,000 |
| 2018 | 2020 | 4,267,000 | 3,037,000 | 71% | 179,000 | 166,000 | 71% | 3,037,000 | 166,000 | 10,000 | 176,000 | 164,000 |
| 2019 | 2021 | 4,594,000 | 3,262,000 | 71% | 193,000 | 173,000 | 71% | 3,252,000 | 177,000 | 13,000 | 190,000 | 170,000 |
| 2020 | 2022 | 4,940,000 | 3,594,000 | 73% | 200,000 | 173,000 | 73% | 3,571,000 | 180,000 | 16,000 | 196,000 | 169,000 |
| 2021 | 2023 | 5,306,000 | 3,955,000 | 75% | 208,000 | 173,000 | 74% | 3,915,000 | 182,000 | 20,000 | 202,000 | 168,000 |
| 2022 | 2024 | 5,693,000 | 4,345,000 | 76% | 215,000 | 173,000 | 76% | 4,281,000 | 184,000 | 26,000 | 210,000 | 168,000 |
| 2023 | 2025 | 6,093,000 | 4,752,000 | 78% | 224,000 | 173,000 | 78% | 4,657,000 | 183,000 | 33,000 | 216,000 | 167,000 |
| 2024 | 2026 | 6,498,000 | 5,168,000 | 80% | 232,000 | 173,000 | 79% | 5,034,000 | 179,000 | 43,000 | 222,000 | 165,000 |
| 2025 | 2027 | 6,901,000 | 5,588,000 | 81% | 241,000 | 173,000 | 80% | 5,401,000 | 176,000 | 52,000 | 228,000 | 164,000 |
| 2026 | 2028 | 7,278,000 | 5,988,000 | 82% | 250,000 | 173,000 | 82% | 5,733,000 | 174,000 | 61,000 | 235,000 | 163,000 |

| Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan | | | | | | | | | | | |
|---|--|-----------------------------------|---------------------|----------------------------|-------------------------|------------------------|------------------------|------------------------|--|---|--|
| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Actuarial Accrued Liability | Valuation Assets | DB Plan Funded Ratio | Employer Contributions | | | | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | |
| | | | | | For Existing DB Plan | For New Hires to DC | For New Hires to DC | For New Hires to DC | | | |
| 2016 | 2018 | 3,644,000 | 2,588,000 | 71% | 150,000 | 4,000 | 154,000 | 154,000 | 154,000 | 154,000 | |
| 2017 | 2019 | 3,944,000 | 2,804,000 | 71% | 158,000 | 7,000 | 165,000 | 165,000 | 165,000 | 159,000 | |
| 2018 | 2020 | 4,267,000 | 3,037,000 | 71% | 166,000 | 10,000 | 176,000 | 176,000 | 176,000 | 164,000 | |
| 2019 | 2021 | 4,594,000 | 3,252,000 | 71% | 177,000 | 13,000 | 190,000 | 190,000 | 190,000 | 170,000 | |
| 2020 | 2022 | 4,940,000 | 3,571,000 | 73% | 180,000 | 16,000 | 196,000 | 196,000 | 196,000 | 169,000 | |
| 2021 | 2023 | 5,306,000 | 3,915,000 | 74% | 182,000 | 20,000 | 202,000 | 202,000 | 202,000 | 168,000 | |
| 2022 | 2024 | 5,693,000 | 4,281,000 | 76% | 184,000 | 26,000 | 210,000 | 210,000 | 210,000 | 168,000 | |
| 2023 | 2025 | 6,094,000 | 4,657,000 | 78% | 183,000 | 33,000 | 216,000 | 216,000 | 216,000 | 167,000 | |
| 2024 | 2026 | 6,498,000 | 5,034,000 | 79% | 179,000 | 43,000 | 222,000 | 222,000 | 222,000 | 165,000 | |
| 2025 | 2027 | 6,901,000 | 5,401,000 | 80% | 176,000 | 52,000 | 228,000 | 228,000 | 228,000 | 164,000 | |
| 2026 | 2028 | 7,278,000 | 5,733,000 | 82% | 174,000 | 61,000 | 235,000 | 235,000 | 235,000 | 163,000 | |

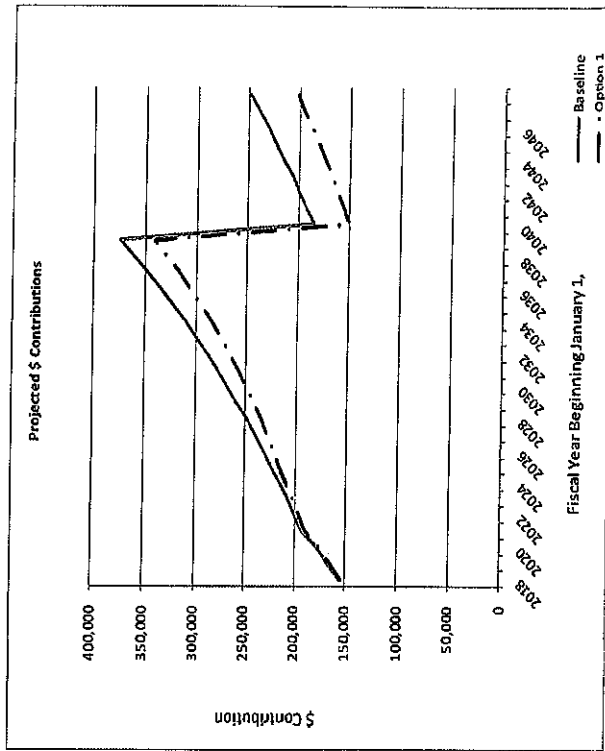
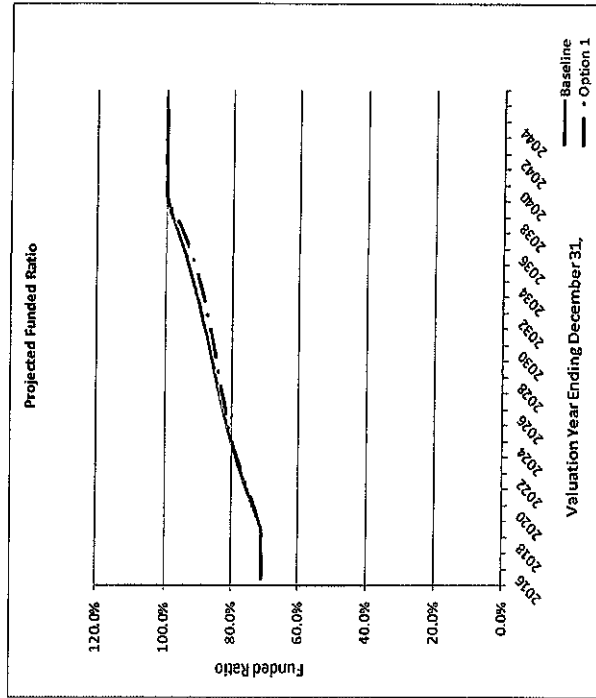
Notes:

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- (3) The impact of the assumption changes is phased-in over a 5 year period. This phase-in is not reflected in either the Baseline or Option 1.
- (4) Under Option 1, the Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are for the DB plan only.
- (5) Employer contribution to the DC plan was based on a contribution rate of 8% of pay.



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Municipal Employees' Retirement System of Michigan
South Lyon, City of (5007) - Division 02



Baseline
 Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan

Comments:

In the long run, the employer contribution will trend towards the long term cost of the different benefit structures. The long term cost of the various benefit structures expressed as a percent of pay is shown in the table below:

| | Baseline | Option 1 |
|-------------------------|----------|----------|
| Total long term cost | 10.85% | 8.00% |
| Employee contribution | 1.00% | 0.00% |
| Employer long term cost | 9.85% | 8.00% |

Under Option 1 the above graph shows the total employer contribution to the closed DB plan and the DC plan for new hires.

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Municipal Employees Retirement System of Michigan
South Lyon, City of (5007) - Division 10
10 Year Projections of Employer Contributions and Funded Ratios

| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Option 1 - DB plan is closed to new hires; new hires in a 2% of pay DC Plan | | | | | | | | | |
|--|--|---|---------------------|-----------------|--|---|-------------------------|------------------------|--|---|--|
| | | Baseline | | | | | Employer Contributions | | | | |
| | | Actuarial Accrued Liability | Valuation Assets | Funded Ratio | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | For Existing DB Plan | For New Hires to DC | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | |
| 2016 | 2018 | 3,344,356 | 2,311,190 | 69% | 123,000 | 123,000 | 107,000 | 13,000 | 120,000 | 120,000 | |
| 2017 | 2019 | 3,471,000 | 2,358,000 | 68% | 133,000 | 128,000 | 109,000 | 24,000 | 129,000 | 124,000 | |
| 2018 | 2020 | 3,580,000 | 2,388,000 | 67% | 143,000 | 133,000 | 113,000 | 24,000 | 137,000 | 127,000 | |
| 2019 | 2021 | 3,650,000 | 2,386,000 | 65% | 154,000 | 138,000 | 120,000 | 27,000 | 147,000 | 132,000 | |
| 2020 | 2022 | 3,717,000 | 2,431,000 | 65% | 160,000 | 138,000 | 122,000 | 30,000 | 152,000 | 131,000 | |
| 2021 | 2023 | 3,771,000 | 2,482,000 | 66% | 166,000 | 138,000 | 124,000 | 34,000 | 158,000 | 131,000 | |
| 2022 | 2024 | 3,825,000 | 2,539,000 | 66% | 172,000 | 138,000 | 125,000 | 37,000 | 162,000 | 130,000 | |
| 2023 | 2025 | 3,872,000 | 2,591,000 | 67% | 179,000 | 138,000 | 128,000 | 40,000 | 168,000 | 130,000 | |
| 2024 | 2026 | 3,919,000 | 2,649,000 | 68% | 185,000 | 138,000 | 131,000 | 43,000 | 174,000 | 130,000 | |
| 2025 | 2027 | 3,972,000 | 2,718,000 | 68% | 192,000 | 138,000 | 134,000 | 47,000 | 181,000 | 130,000 | |
| 2026 | 2028 | 4,031,000 | 2,799,000 | 69% | 200,000 | 138,000 | 137,000 | 50,000 | 187,000 | 129,000 | |

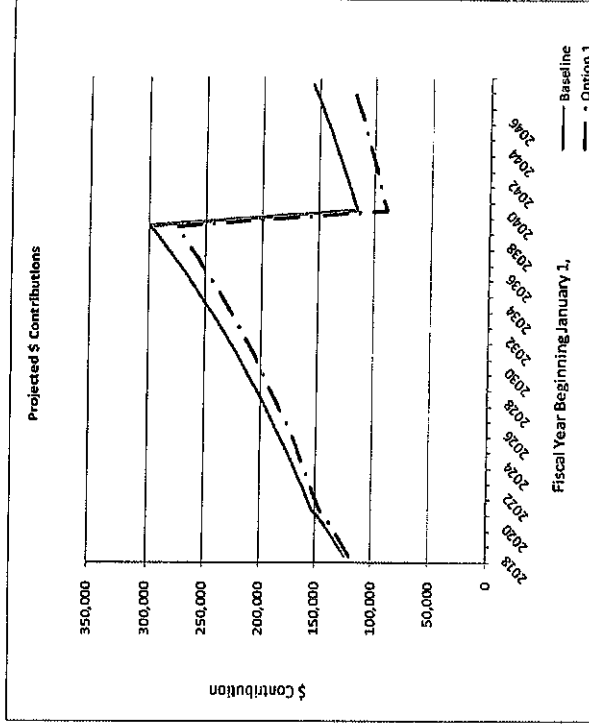
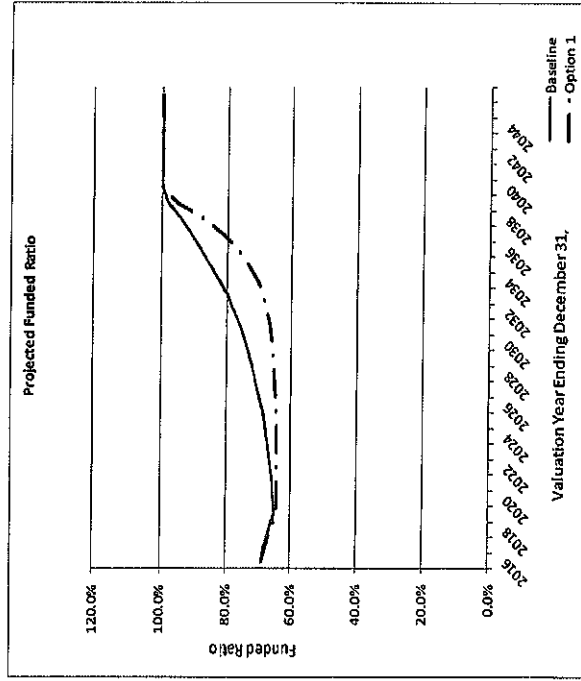
Notes:

- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
- (2) Contributions are calculated for the applicable fiscal year.
- (3) The impact of the assumption changes is phased-in over a 5 year period. This phase-in is not reflected in either the Baseline or Option 1.
- (4) Under Option 1, the Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are for the DB plan only.
- (5) Employer contribution to the DC plan was based on a contribution rate of 2% of pay.



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Municipal Employees' Retirement System of Michigan
South Lyon, City of (5007) - Division 10



Baseline
 Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan

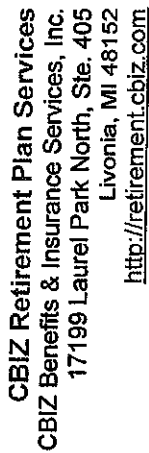
Comments:

-In the long run, the employer contribution will trend towards the long term cost of the different benefit structures. The long term cost of the various benefit structures expressed as a percent of pay is shown in the table below:

| | Baseline | Option 1 |
|-------------------------|----------|----------|
| Total long term cost | 11.56% | 8.00% |
| Employee contribution | 1.27% | 0.00% |
| Employer long term cost | 10.29% | 8.00% |

-Under Option 1 the above graph shows the total employer contribution to the closed DB plan and the DC plan for new hires.

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**Municipal Employees Retirement System of Michigan
South Lyon, City of (5007) - Division 11
10 Year Projections of Employer Contributions and Funded Ratios**

| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Baseline | | | | |
|------------------------------------|----------------------------------|-------------------|-----------|--------|-----------------------------|-----------------------------|
| | | Actual | Valuation | Funded | Total Employer Contribution | Total Employer Contribution |
| | | Accrued Liability | Assets | Ratio | Inflated Dollars | Inflated Dollars |
| 2016 | 2018 | 993,440 | 901,790 | 91% | 40,000 | 40,000 |
| 2017 | 2019 | 1,072,000 | 953,000 | 89% | 43,000 | 41,000 |
| 2018 | 2020 | 1,149,000 | 1,001,000 | 87% | 46,000 | 43,000 |
| 2019 | 2021 | 1,217,000 | 1,037,000 | 85% | 51,000 | 45,000 |
| 2020 | 2022 | 1,279,000 | 1,095,000 | 86% | 52,000 | 45,000 |
| 2021 | 2023 | 1,335,000 | 1,150,000 | 86% | 54,000 | 45,000 |
| 2022 | 2024 | 1,383,000 | 1,199,000 | 87% | 56,000 | 45,000 |
| 2023 | 2025 | 1,423,000 | 1,241,000 | 87% | 58,000 | 45,000 |
| 2024 | 2026 | 1,460,000 | 1,279,000 | 88% | 60,000 | 45,000 |
| 2025 | 2027 | 1,495,000 | 1,315,000 | 88% | 63,000 | 45,000 |
| 2026 | 2028 | 1,528,000 | 1,351,000 | 88% | 65,000 | 45,000 |

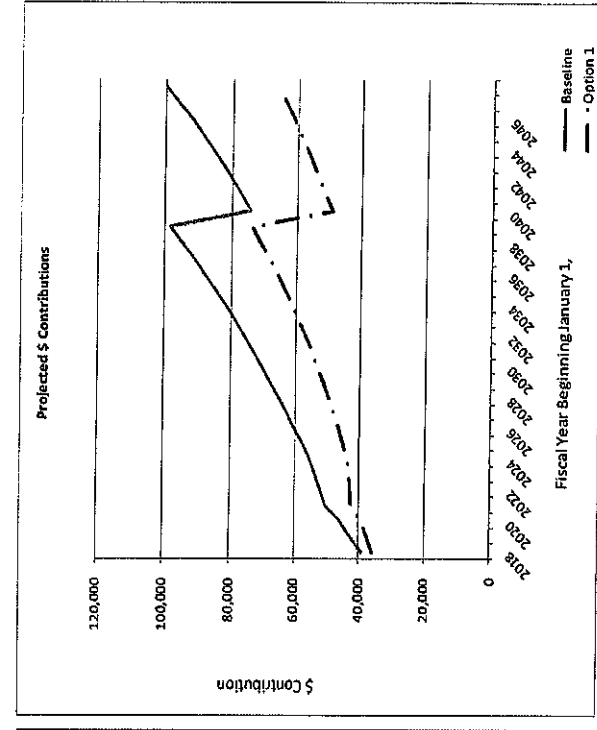
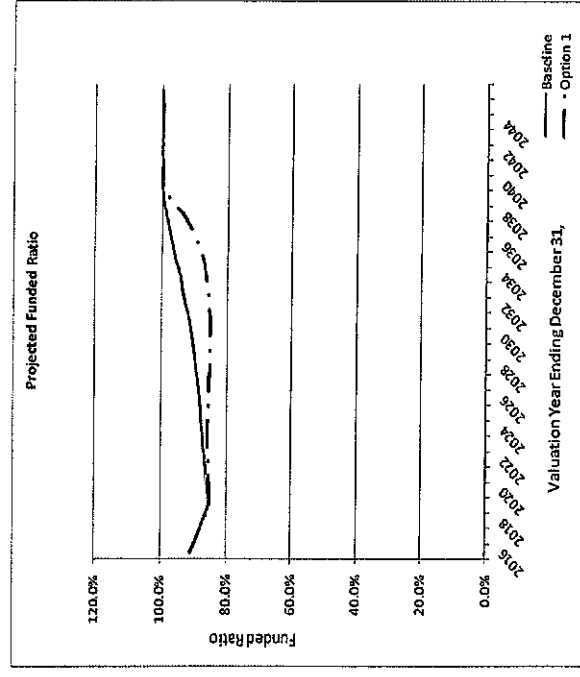
| Option 1 - DB plan is closed to new hires; new hires in a 8% of pay/DC Plan | | | | | | |
|---|-------------------|-----------|----------------------|------------------------|---------------------|-----------------------------|
| | Actual | Valuation | DB Plan Funded Ratio | Employer Contributions | | Total Employer Contribution |
| | | | | For Existing DB Plan | For New Hires to DC | |
| | Accrued Liability | Assets | | | Inflated Dollars | Inflated Dollars |
| | 993,000 | 902,000 | 91% | 29,000 | 7,000 | 36,000 |
| | 1,069,000 | 951,000 | 89% | 28,000 | 10,000 | 38,000 |
| | 1,136,000 | 991,000 | 87% | 27,000 | 13,000 | 40,000 |
| | 1,188,000 | 1,011,000 | 85% | 27,000 | 15,000 | 42,000 |
| | 1,228,000 | 1,047,000 | 85% | 25,000 | 18,000 | 43,000 |
| | 1,256,000 | 1,074,000 | 86% | 23,000 | 21,000 | 44,000 |
| | 1,269,000 | 1,087,000 | 86% | 21,000 | 23,000 | 44,000 |
| | 1,287,000 | 1,087,000 | 84% | 20,000 | 25,000 | 45,000 |
| | 1,254,000 | 1,076,000 | 86% | 19,000 | 27,000 | 46,000 |
| | 1,230,000 | 1,055,000 | 86% | 19,000 | 30,000 | 49,000 |
| | 1,198,000 | 1,025,000 | 86% | 20,000 | 30,000 | 50,000 |

- 1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
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- 4) Under Option 1, the Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are for the DB plan only.
- 5) Employer contribution to the DC plan was based on a contribution rate of 8% of pay.



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Municipal Employees' Retirement System of Michigan
South Lyon, City of (5007) - Division 11



Baseline
Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC plan

Comments:

-In the long run, the employer contribution will trend towards the long term cost of the different benefit structures. The long term cost of the various benefit structures expressed as a percent of pay is shown in the table below:

| | Baseline | Option 1 |
|-------------------------|----------|----------|
| Total long term cost | 13.30% | 8.00% |
| Employee contribution | 1.27% | 0.00% |
| Employer long term cost | 12.03% | 8.00% |

-Under Option 1 the above graph shows the total employer contribution to the closed DB plan and the DC plan for new hires.

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Municipal Employees Retirement System of Michigan
South Lyon, City of (S007) - Division 20
10 Year Projections of Employer Contributions and Funded Ratios

| Valuation Year Ending December 31, | Fiscal Year Beginning January 1, | Baseline | | | | | | Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan | | | | | |
|--|--|-----------------------------------|---------------------|-----------------|--|---|----------------------------|---|---------------------|-----------------|--|---|--|
| | | Actuarial Accrued Liability | Valuation Assets | Funded Ratio | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | DB Plan Funded Ratio | Actuarial Accrued Liability | Valuation Assets | Funded Ratio | Total Employer Contribution Inflated Dollars | Total Employer Contribution Current Dollars | |
| 2016 | 2018 | 2,676,773 | 1,736,265 | 65% | 112,000 | 112,000 | 65% | 2,677,000 | 1,736,000 | 65% | 110,000 | 111,000 | |
| 2017 | 2019 | 2,863,000 | 1,857,000 | 65% | 120,000 | 116,000 | 65% | 2,863,000 | 1,854,000 | 65% | 117,000 | 119,000 | |
| 2018 | 2020 | 3,063,000 | 1,996,000 | 65% | 128,000 | 119,000 | 65% | 3,063,000 | 1,990,000 | 65% | 124,000 | 118,000 | |
| 2019 | 2021 | 3,283,000 | 2,145,000 | 65% | 138,000 | 123,000 | 65% | 3,278,000 | 2,136,000 | 65% | 137,000 | 123,000 | |
| 2020 | 2022 | 3,516,000 | 2,368,000 | 67% | 143,000 | 123,000 | 67% | 3,508,000 | 2,356,000 | 67% | 144,000 | 123,000 | |
| 2021 | 2023 | 3,765,000 | 2,614,000 | 69% | 148,000 | 123,000 | 69% | 3,751,000 | 2,596,000 | 69% | 147,000 | 122,000 | |
| 2022 | 2024 | 4,020,000 | 2,872,000 | 71% | 153,000 | 123,000 | 71% | 3,996,000 | 2,843,000 | 71% | 151,000 | 121,000 | |
| 2023 | 2025 | 4,273,000 | 3,130,000 | 73% | 159,000 | 123,000 | 73% | 4,234,000 | 3,087,000 | 73% | 157,000 | 121,000 | |
| 2024 | 2026 | 4,515,000 | 3,383,000 | 75% | 165,000 | 123,000 | 75% | 4,458,000 | 3,318,000 | 74% | 162,000 | 120,000 | |
| 2025 | 2027 | 4,743,000 | 3,625,000 | 76% | 172,000 | 123,000 | 76% | 4,654,000 | 3,531,000 | 76% | 167,000 | 120,000 | |
| 2026 | 2028 | 4,952,000 | 3,853,000 | 78% | 178,000 | 123,000 | 77% | 4,825,000 | 3,721,000 | 77% | 173,000 | 120,000 | |

Notes:

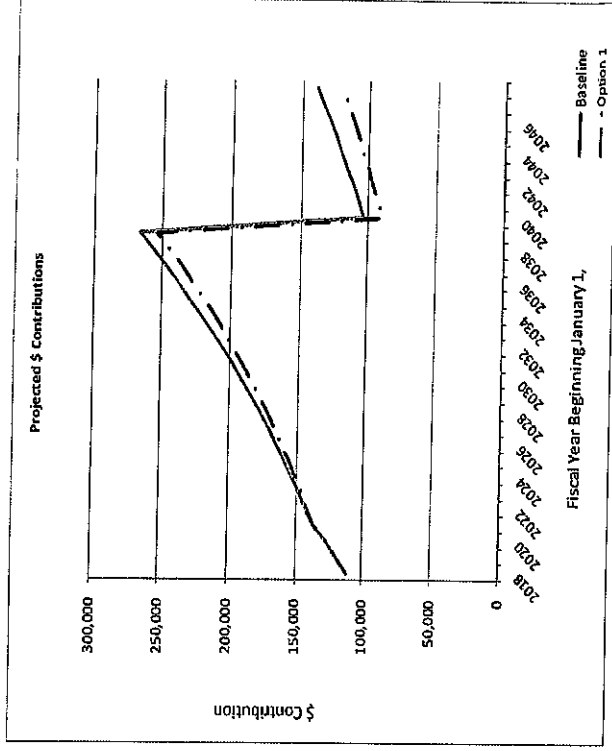
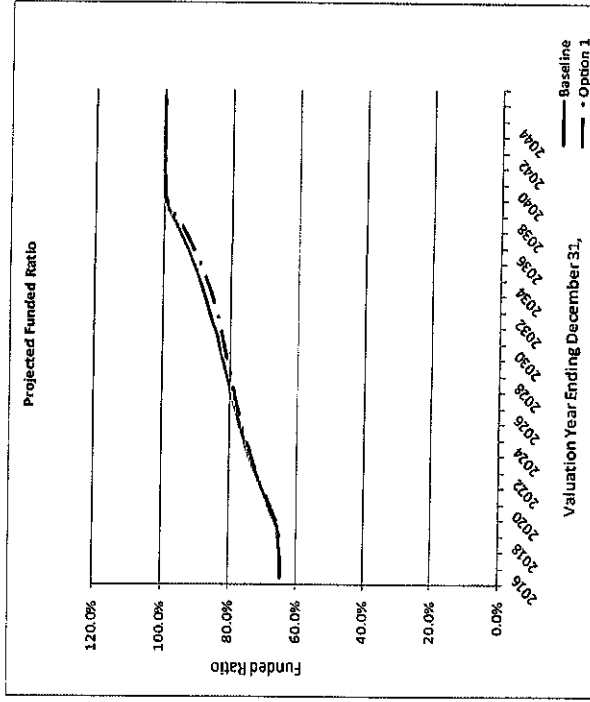
- (1) The Actuarial Accrued Liability, Valuation Assets, and Funded Ratio are calculated as of December 31.
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**Municipal Employees' Retirement System of Michigan
 South Lyon, City of (5007) - Division 20**



Baseline
 Option 1 - DB plan is closed to new hires; new hires in a 8% of pay DC Plan

Comments:

In the long run, the employer contribution will trend towards the long term cost of the different benefit structures. The long term cost of the various benefit structures expressed as a percent of pay is shown in the table below:

| | Baseline | Option 1 |
|-------------------------|----------|----------|
| Total long term cost | 10.23% | 8.00% |
| Employee contribution | 1.00% | 0.00% |
| Employer long term cost | 9.23% | 8.00% |

Under Option 1 the above graph shows the total employer contribution to the closed DB plan and the DC plan for new hires.

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Risk Characteristics of Defined Benefit Plans

It is important to understand that retirement plans, by their nature, are exposed to certain risks. While risks cannot be eliminated entirely, they can be mitigated through various strategies. Below are a few examples of risk (this is not an all-inclusive list):

- Economic - investment return, wage inflation, etc.
- Demographic - longevity, disability, retirement, etc.
- Plan Sponsor and Employees - contribution volatility, attract/retain employees, etc.

The MERS Retirement Board adopts certain assumptions and methods to mitigate the economic and demographic risks, and the contribution volatility risks. For example, the investment risk is the largest economic risk and is mitigated by having a balanced portfolio and a clearly defined investment strategy. Demographic risks vary based on the age of the workforce and are mitigated by preparing special studies called experience studies on a regular basis to determine if the assumptions used are reasonable compared to the experience. Risk may be mitigated through a plan design that provides benefits that are sustainable in the long run. An Experience Study is completed every five years to review the assumptions and methods. The next Experience Study will be completed in 2020.



Important Comments

1. The results are based on information provided by the municipality and MERS. The actuary is unaware of any additional information that would impact these results.
2. This report describes the financial effect of the proposed benefit plan. No statement contained within is a recommendation in favor of or in opposition to the proposed benefit plan.
3. The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions of future events (which may or may not materialize). As a result, actuarial calculations can and do vary from one valuation year to the next, sometimes significantly if the group valued is very small (less than 30 lives). The cost impact of a benefit change may fluctuate over time, as the demographics of the group changes.
4. The calculations in this report were prepared based on December 31, 2016, demographic and financial information unless noted elsewhere in the report.
5. The valuation date is December 31, 2016.
6. Please note, the assumptions and methods used in these calculations are consistent with those used in the December 31, 2016 Annual Actuarial Valuation (except where noted otherwise) and are summarized in an Appendix. This Appendix is located on the MERS website at www.mersofmich.com.
7. In the event that more than one plan change is being considered, the user of this report should remember that the results of separate actuarial valuations cannot be added together. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other and with the assumptions used.
8. Retirement benefits and employer contributions are based on a percentage of members' reported pay for open divisions. If actual reported payroll differs substantially from payroll used in this report, the dollar contribution should be adjusted proportionately.
9. The following information, assumptions and funding methods were used in the projections under the various options:
 - a. Demographic, financial information and benefit provisions provided by MERS for the December 31, 2016 annual valuation.
 - b. The assumptions and methods used in the December 31, 2016 annual valuation, except where noted otherwise.
 - c. All demographic assumptions will be met during the projection period.
 - d. The active population is assumed to remain stable during the projection period.
 - e. Demographic assumptions under the DC plan are unchanged from those of the DB plan.



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Livonia, MI 48152
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- f. The Market Value of Assets will earn the assumed investment return each year during the projection period.
 - g. There will be no benefit changes during the projection period.
 - h. The employer contributions through June 30, 2018 are not affected, and are based on previous annual actuarial valuations.
10. The results do not show the potential impact on other post-employment benefits (such as retiree health care insurance) or ancillary benefits (such as life insurance).
11. If the user of this report is not sure how to interpret certain results in the report or how to read the report, they should contact MERS at (800) 767-6377 before relying on the results of this report.
12. Additional disclosures required by Actuarial Standard of Practice:
 - All actuarial calculations have been prepared in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.
 - The valuation was based upon information furnished by the municipality and MERS staff. We checked for internal and year to year consistency, but did not otherwise audit the data. CBIZ Retirement Plan Services is not responsible for the accuracy or completeness of the information provided for the preparation of these calculations.



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Miscellaneous and Technical Assumptions

1. The results in this report are based on the assumptions used in the December 31, 2016 annual valuation.
2. FAC Load – 4.00%
3. Withdrawal Scaling Factor – 100%



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
ANNUAL ACTUARIAL VALUATION REPORT DECEMBER 31, 2016
SOUTH LYON, CITY OF (6315)



Spring, 2017

South Lyon, City of

In care of:
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, Michigan 48917

This report presents the results of the Annual Actuarial Valuation, prepared as of December 31, 2016. The report includes the determination of liabilities and contribution rates resulting from the participation of South Lyon, City of (6315) in the Municipal Employees' Retirement System of Michigan ("MERS"). MERS is a nonprofit organization, independent from the State, that has provided retirement plans for municipal employees for 70 years. South Lyon, City of is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

The purpose of the December 31, 2016 annual actuarial valuation is to:

- Measure funding progress
- Establish contribution requirements for the fiscal year beginning July 1, 2018
- Provide actuarial information in connection with applicable Governmental Accounting Standards Board (GASB) statements

This valuation report should not be relied upon for any other purpose. Reliance on information contained in this report by anyone for anything other than the intended purpose could be misleading.

The valuation uses financial data, plan provision data, and participant data as of December 31, 2016 furnished by MERS. In accordance with Actuarial Standards of Practice No. 23, the data was checked for internal and year to year consistency as well as general reasonableness, but was not otherwise audited. CBIZ Retirement Plan Services does not assume responsibility for the accuracy or completeness of the data used in this valuation.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study. The most recent study was completed in 2015. Please refer to the division-specific assumptions described in table(s) in this report, and to the Appendix on the MERS website at:

www.mersofmich.com/Portals/0/Assets/Resources/AAV-Appendix/MERS-2016AnnualActuarialValuation-Appendix.pdf.



The actuarial assumptions used for this valuation produce results that we believe are reasonable.

To the best of our knowledge, this report is complete and accurate, was prepared in conformity with generally recognized actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and is in compliance with Act No. 220 of the Public Acts of 1996, as amended, and the MERS Plan Document as revised. All of the undersigned are members of the American Academy of Actuaries (MAAA), and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. 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.

This report was prepared at the request of the Retirement Board and may be provided only in its entirety by the municipality to other interested parties (MERS customarily provides the full report on request to associated third parties such as the auditor for the municipality). CBIZ Retirement Plan Services is not responsible for the consequences of any unauthorized use.

You should notify MERS if you disagree with anything contained in the report or are aware of any information that would affect the results of the report that have not been communicated to us. If you have reason to believe that the plan provisions are incorrectly described, that important plan provisions relevant to this valuation are not described, that conditions have changed since the calculations were made, that the information provided in this report is inaccurate or is in anyway incomplete, or if you need further information in order to make an informed decision on the subject matter in this report, please contact your Regional Manager at 1.800.767.MERS(6377).

Sincerely,

Cathy Nagy, MAAA, FSA
Jim Koss, MAAA, ASA
Curtis Powell, MAAA, EA

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Executive Summary | 5 |
| Employer Contribution Details Table 1 | 15 |
| Benefit Provisions Table 2 | 17 |
| Participant Summary Table 3 | 19 |
| Reported Assets (Market Value) Table 4 | 20 |
| Flow of Valuation Assets Table 5 | 21 |
| Actuarial Accrued Liabilities and Valuation Assets Table 6 | 22 |
| Actuarial Accrued Liabilities - Comparative Schedule Table 7 | 24 |
| Division-Based Comparative Schedules Tables 8 and 9 | 25 |
| Division-Based Layered Amortization Schedule Table 10 | 30 |
| GASB 68 Information | 35 |
| Benefit Provision History | 36 |
| Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method | 38 |

Executive Summary

Actuarial Assumptions and Methods Adopted with the December 31, 2015 Valuations

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study. The Experience Study is a comprehensive, detailed analysis that reviews MERS' funding policy and compares actual experience with the current actuarial assumptions; the study recommends adjustments as necessary. The most recent study was completed in 2015 and changes to the assumptions and methods based on the 2015 Experience Study were first reflected in the December 31, 2015 valuations. The impact of these changes is being phased-in over a 5 year period. The phase-in allows the employer to spread the impact of the new assumptions over 5 fiscal years. This report continues to provide contributions both with and without the phase-in adjustments.

The assumptions and methods are described in the Appendix on the MERS website.

As part of the recent Experience Study, the following changes are first reflected in the December 31, 2016 annual valuation:

- The asset smoothing was changed from 10 to 5 years. The gain (loss) recognized each year will be 20% of the current year's gain (loss) plus 20% of the gain (loss) from each of the 4 preceding years. The cumulative difference between the market value and valuation assets as of December 31, 2015 will be recognized over 4 years.
- Annual changes in Unfunded Accrued Liability (UAL) will be amortized over fixed periods, creating "layers" of UAL. This will require removing and creating "layers" of UAL on an annual basis.
 - o Once the amortization period drops below 15 years (10 years for closed divisions), any future liability and asset gains or losses will be spread over a 15-year fixed period for open divisions and a 10-year fixed period for closed divisions — creating "layers" of UAL on an annual basis.
 - o This transparent method allows tracking of what changed your UAL, and sets a fixed period in time in which that UAL change will be fully funded.

MERS created a dedicated resource page on their website for additional information on these topics (<http://www.mersofmich.com/Employer/Work-Scenarios/Unfunded-Liability>).

Funded Ratio and Required Employer Contributions

The MERS Defined Benefit Plan is an agent multiple-employer plan, meaning that assets are pooled for investment purposes but separate accounts are maintained for each individual employer. Each municipality is responsible for their own plan liabilities; MERS does not borrow from one municipality's account to pay for another.

The funded ratio of a plan is the percentage of the dollar value of the accrued benefits that is covered by the actuarial value of assets.

Your Funded Ratio:

| | 12/31/2016 | 12/31/2015 |
|---------------------|------------|------------|
| Funded Ratio | 69% | 69% |

Michigan Law requires that pension plans be pre-funded, meaning money is set aside now to pay for future benefits. Pension plans are usually funded by employer and employee contributions, and investment income.

How quickly a plan attains the 100% funding goal depends on many factors such as:

- The current funded ratio
- The future experience of the plan
- The amortization period

It is more important to look at the trend in the funded ratio over a period of time than at a particular point in time.

Your Required Employer Contributions:

Your computed employer contributions are shown in the following table. Employee contributions, if any, are in addition to the computed employer contributions. Changes to the assumptions and methods based on the 2015 Experience Study were first reflected in the December 31, 2015 valuations. The impact of these changes is being phased-in over a 5 year period. The phase-in allows the employer to spread the impact of the new assumptions over 5 fiscal years. This valuation reflects the second year of the phase-in.

Your minimum required contribution is the amount in the "Phase-in" columns. By default, MERS will invoice you the phased-in contribution amount, but strongly encourages you to contribute more than the minimum required contribution. If for 2017 your municipality is making employer contributions based on rates without the phase-in applied, contact MERS to ensure this rate is used again for 2018 and not the defaulted phase-in rates.

| | Percentage of Payroll | | | | Monthly \$ Based on Projected Payroll | | | |
|---------------------------|-----------------------|--------------|--------------|--------------|---------------------------------------|------------------|------------------|------------------|
| | Phase-in | No Phase-in | Phase-in | No Phase-in | Phase-in | No Phase-in | Phase-in | No Phase-in |
| Valuation Date: | 12/31/2016 | 12/31/2016 | 12/31/2015 | 12/31/2015 | 12/31/2016 | 12/31/2016 | 12/31/2015 | 12/31/2015 |
| Fiscal Year Beginning: | July 1, 2018 | July 1, 2018 | July 1, 2017 | July 1, 2017 | July 1, 2018 | July 1, 2018 | July 1, 2017 | July 1, 2017 |
| Division | | | | | | | | |
| 01 - AFSME | 21.47% | 22.93% | 21.30% | 23.46% | \$ 15,856 | \$ 16,933 | \$ 14,129 | \$ 15,565 |
| 02 - Pol/Fire | 17.55% | 18.70% | 17.08% | 18.62% | 12,174 | 12,975 | 11,808 | 12,876 |
| 10 - Non Union | 22.70% | 24.69% | 23.12% | 26.24% | 9,447 | 10,275 | 8,180 | 9,284 |
| 11 - Clerical | 13.17% | 14.40% | 12.90% | 14.68% | 3,011 | 3,293 | 2,720 | 3,096 |
| 20 - Command | 21.15% | 22.54% | 19.78% | 21.71% | 8,744 | 9,317 | 7,816 | 8,580 |
| Municipality Total | | | | | \$ 49,232 | \$ 52,793 | \$ 44,653 | \$ 49,401 |

Employee contribution rates reflected in the valuations are shown below:

| Valuation Date: | Employee Contribution Rate | |
|-----------------|----------------------------|------------|
| | 12/31/2016 | 12/31/2015 |
| Division | | |
| 01 - AFSME | 1.23% | 1.23% |
| 02 - Pol/Fire | 1.00% | 0.80% |
| 10 - Non Union | 1.27% | 1.27% |
| 11 - Clerical | 1.27% | 1.27% |
| 20 - Command | 1.00% | 0.86% |

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. **MERS strongly encourages employers to contribute more than the minimum contribution shown above.**

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 entire employer would be \$ 74,989, instead of \$ 52,793.
- To accelerate to a 100% funding ratio in 20 years, estimated monthly employer contributions for the entire employer would be \$ 54,595, instead of \$ 52,793.

If you are interested in making additional contributions, please contact MERS and they can assist you with evaluating your options.

How and Why Do These Numbers Change?

In a defined benefit plan contributions vary from one annual actuarial valuation to the next as a result of the following:

- Changes in benefit provisions (see Table 2)
- Changes in actuarial assumptions and methods (see the [Appendix](#))
- Experience of the plan (investment experience and demographic experience); this is the difference between actual experience of the plan and the actuarial assumptions. For example:
 - o Lower actual investment returns would result in higher required employer contributions, and vice-versa.
 - o Smaller than assumed pay increases would lower required employer contributions.
 - o Reductions in the number of active employees would lower required contribution dollars, but would usually increase the contribution rate expressed as a percentage of (the now lower) payroll.
 - o Retirements at earlier ages than assumed would usually increase required employer contributions.
 - o More non-vested terminations of employment than assumed would decrease required contributions.
 - o More disabilities or survivor (death) benefits than assumed would increase required contributions.
 - o Longer lifetimes after retirement than assumed would increase required employer contributions.

Actuarial valuations do not affect the ultimate cost of the plan; the benefit payments (current and future) determine the cost of the plan. Actuarial valuations only affect the timing of the contributions into the plan. Because assumptions are for the long term, plan experience will not match the actuarial assumptions in any given year (except by coincidence). Each annual actuarial valuation will adjust the required employer contributions up or down based on the prior year's actual experience.

Comments on Asset Smoothing

The actuarial value of assets, used to determine both your funded ratio and your required employer contribution, is based on a smoothed value of assets (10-year smoothing prior to 2016; 5-year smoothing beginning in 2016). A smoothing method reduces the volatility of the valuation results, which affects your required employer contribution and funded ratio. The smoothed actuarial rate of return for 2016 was 5.14%.

As of December 31, 2016 the actuarial value of assets is 108% of market value. This means that meeting the actuarial assumption in the next few years will require average annual market returns that exceed the 7.75% investment return assumption.

If the December 31, 2016 valuation results were based on market value on that date instead of smoothed funding value: i) the funded percent of your entire municipality would be 64% (instead of 69%); and ii) your total employer contribution requirement for the fiscal year starting July 1, 2018 would be \$ 692,484 (instead of \$ 633,516).

The asset smoothing method is a powerful tool for reducing the volatility of your required employer contributions. **However, if the current 8% difference between the smoothed value and the market value of assets is not made up, the result would be gradual increases in your employer contribution requirement over the next few years (to around the levels described above).**

Risk Characteristics of Defined Benefit Plans

It is important to understand that Defined Benefit retirement plans, the plan sponsor, and the plan participants are exposed to certain risks. While risks cannot be eliminated entirely, they can be managed through various strategies. Below are a few examples of risk (this is not an all-inclusive list):

- Economic - investment return, wage inflation, etc.
- Demographic - longevity, disability, retirement, etc.
- Plan Sponsor and Employees - contribution volatility, attract/retain employees, etc.

The MERS Retirement Board adopts certain assumptions and methods to manage the economic and demographic risks, and the contribution volatility risks. For example, the investment risk is the largest economic risk and is managed by having a balanced portfolio and a clearly defined investment strategy. Demographic risks are managed by preparing special studies called experience studies on a regular basis to determine if the assumptions used are reasonable compared to the experience. Risk may be managed through a plan design that provides benefits that are sustainable in the long run. An Experience Study is completed every five years to review the assumptions and methods. The next Experience Study will be completed in 2020.

Alternate Scenarios to Estimate the Potential Volatility of Results ("What If Scenarios")

The calculations in this report are based on assumptions about long-term economic and demographic behavior. These assumptions will never materialize in a given year, except by coincidence. Therefore the results will vary from one year to the next. The volatility of the results depends upon the characteristics of the plan. For example:

- Open divisions that have substantial assets compared to their active employee payroll will have more volatile employer contribution rates due to investment return fluctuations.
- Open divisions that have substantial accrued liability compared to their active employee payroll will have more volatile employer contribution rates due to demographic experience fluctuations.
- Small divisions will have more volatile contribution patterns than larger divisions because statistical fluctuations are relatively larger among small populations.
- Shorter amortization periods result in more volatile contribution patterns.

The analysis in this section is intended to review the potential volatility of the actuarial valuation results. It is important to note that calculations in this report are mathematical estimates based upon assumptions regarding future events, which may or may not materialize. Actuarial calculations can and do vary from one valuation to the next, sometimes significantly depending on the group's size.

Many assumptions are important in determining the required employer contributions. In the table below, we show the impact of varying one actuarial assumption: the future annual rate of investment return. Lower investment returns would result in higher required employer contributions, and vice-versa.

The relative impact of each investment return scenario below will vary from year to year, as the participant demographics change. The impact of each scenario should be analyzed for a given year, not from year to year. The results in the table are based on the December 31, 2016 valuation, and are for the municipality in total, not by division. These results do not reflect a 5-year phase in of the impact of the new actuarial assumptions.

| | Assumed Future Annual Smoothed Rate of Investment Return | | | |
|--|--|---------------|----------------------|----------------|
| | Lower Future Annual Returns | | Valuation Assumption | Higher Returns |
| | 5.75% | 6.75% | 7.75% | 8.75% |
| 12/31/2016 Valuation Results | | | | |
| Accrued Liability | \$ 19,913,201 | \$ 17,564,270 | \$ 15,590,665 | \$ 13,923,013 |
| Valuation Assets | \$ 10,787,327 | \$ 10,787,327 | \$ 10,787,327 | \$ 10,787,327 |
| Unfunded Accrued Liability | \$ 9,125,874 | \$ 6,776,943 | \$ 4,803,338 | \$ 3,135,686 |
| Funded Ratio | 54% | 61% | 69% | 78% |
| Monthly Normal Cost | \$ 42,499 | \$ 32,446 | \$ 24,823 | \$ 18,979 |
| Monthly Amortization Payment | \$ 46,500 | \$ 37,441 | \$ 27,970 | \$ 18,798 |
| Total Employer Contribution¹ | \$ 88,999 | \$ 69,887 | \$ 52,793 | \$ 37,777 |

¹ If assets exceed accrued liabilities for a division, the division's amortization payment is negative and is used to reduce the division's employer contribution requirement. If the overfunding credit is larger than the normal cost, the division's full credit is included in the municipality's amortization payment above but the division's total contribution requirement is zero. This can cause the displayed normal cost and amortization payment to not add up to the displayed total employer contribution.

Projection Scenarios

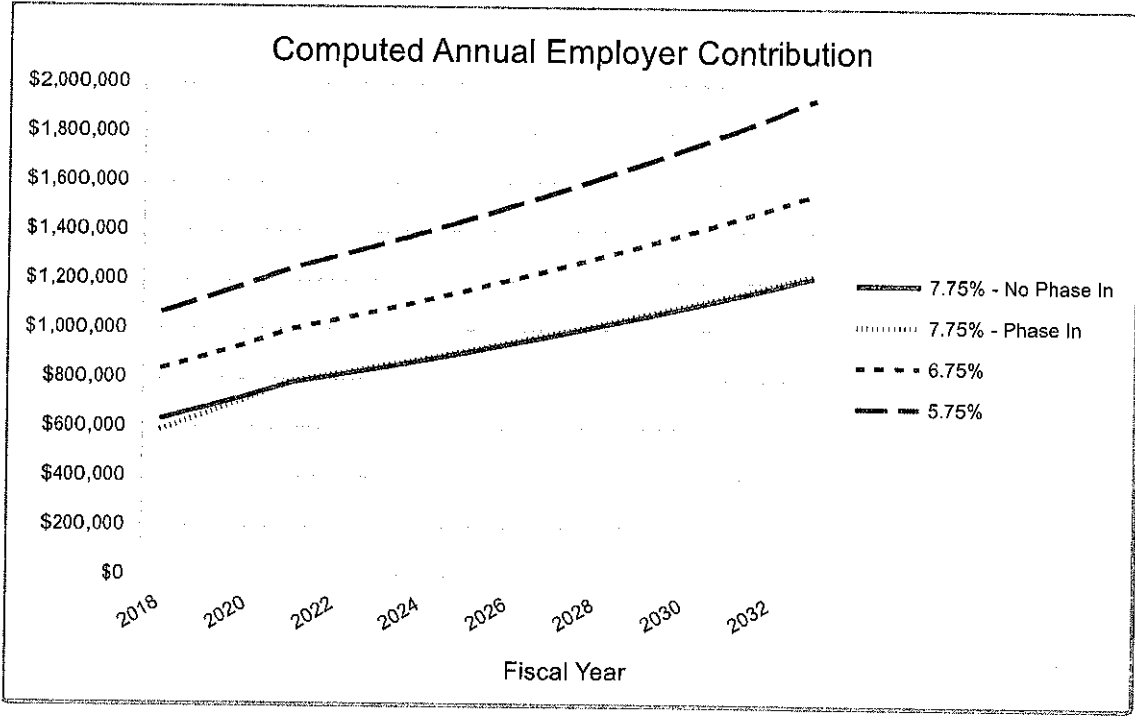
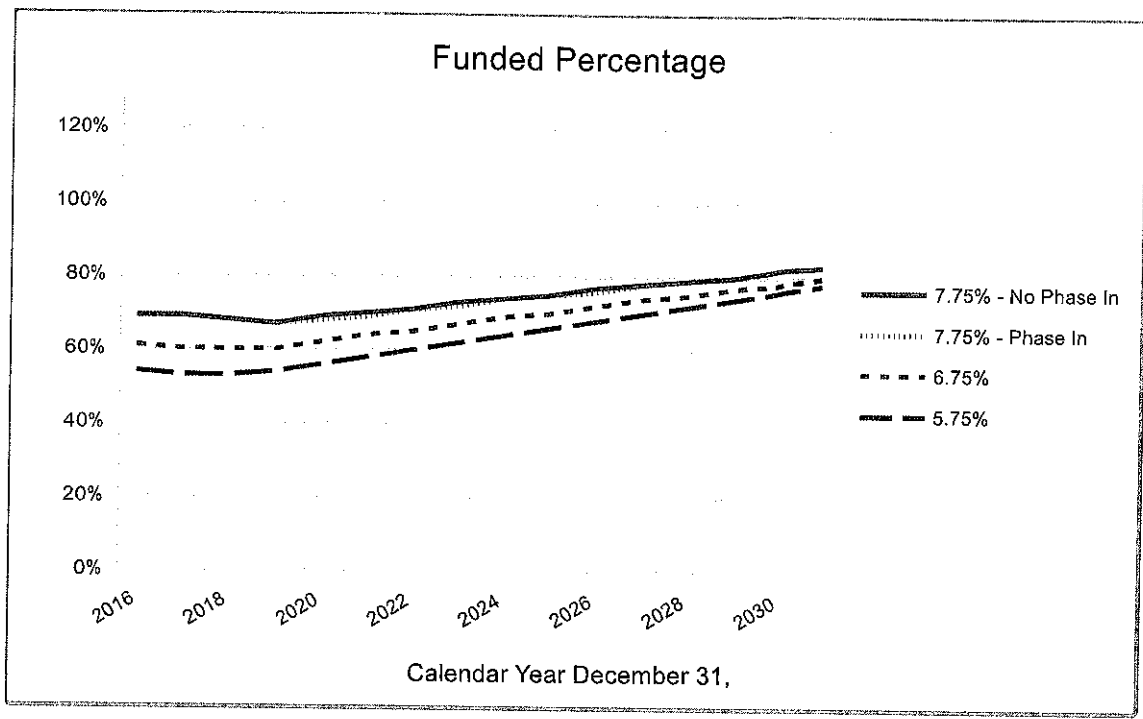
The next two pages show projections of the plan's funded ratio and computed employer contributions under the actuarial assumptions used in the valuation and alternate assumed long-term investment return scenarios. All four projections take into account the past investment losses that will continue to affect the smoothed rate of return in the short term. Under the 7.75% scenarios, two sets of projections are shown:

- Based on the phase-in over 5 fiscal years (beginning in 2017) of the increased contribution requirements associated with the new actuarial assumptions. This projects your minimum required contribution.
- Based on no phase-in of the increased contribution requirements.

The 7.75% scenarios provide an estimate of computed employer contributions based on current actuarial assumptions, and a projected 7.75% 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 6.75% and 5.75% projections provide an indication of the potential required employer contribution if MERS were to realize investment returns of 6.75% and 5.75% over the long-term.

The projections are shown both in tabular and graphical form in total for the employer. The tables show projections for six years. The graphs show projections for fifteen years.

| Valuation Year Ending 12/31 | Fiscal Year Beginning 7/1 | Actuarial Accrued Liability | Valuation Assets | Funded Percentage | Computed Annual Employer Contribution |
|--|---------------------------------|--------------------------------|------------------|----------------------|---|
| 7.75% Assumed Interest Discount Rate and Future Annual Market Rate of Return WITH 5-YEAR PHASE-IN | | | | | |
| 2016 | 2018 | \$ 15,590,665 | \$ 10,787,327 | 69% | \$ 590,784 |
| 2017 | 2019 | 16,500,000 | 11,300,000 | 69% | 656,000 |
| 2018 | 2020 | 17,400,000 | 11,800,000 | 68% | 720,000 |
| 2019 | 2021 | 18,300,000 | 12,200,000 | 67% | 792,000 |
| 2020 | 2022 | 19,100,000 | 13,000,000 | 68% | 821,000 |
| 2021 | 2023 | 20,000,000 | 13,900,000 | 69% | 852,000 |
| NO 5-YEAR PHASE-IN | | | | | |
| 2016 | 2018 | \$ 15,590,665 | \$ 10,787,327 | 69% | \$ 633,516 |
| 2017 | 2019 | 16,500,000 | 11,300,000 | 69% | 681,000 |
| 2018 | 2020 | 17,400,000 | 11,800,000 | 68% | 729,000 |
| 2019 | 2021 | 18,300,000 | 12,300,000 | 67% | 785,000 |
| 2020 | 2022 | 19,100,000 | 13,100,000 | 69% | 815,000 |
| 2021 | 2023 | 20,000,000 | 14,000,000 | 70% | 845,000 |
| 6.75% Assumed Interest Discount Rate and Future Annual Market Rate of Return NO 5-YEAR PHASE-IN | | | | | |
| 2016 | 2018 | \$ 17,564,270 | \$ 10,787,327 | 61% | \$ 838,644 |
| 2017 | 2019 | 18,500,000 | 11,200,000 | 60% | 889,000 |
| 2018 | 2020 | 19,500,000 | 11,700,000 | 60% | 942,000 |
| 2019 | 2021 | 20,400,000 | 12,300,000 | 60% | 1,000,000 |
| 2020 | 2022 | 21,400,000 | 13,200,000 | 62% | 1,040,000 |
| 2021 | 2023 | 22,400,000 | 14,200,000 | 64% | 1,080,000 |
| 5.75% Assumed Interest Discount Rate and Future Annual Market Rate of Return NO 5-YEAR PHASE-IN | | | | | |
| 2016 | 2018 | \$ 19,913,201 | \$ 10,787,327 | 54% | \$ 1,067,988 |
| 2017 | 2019 | 20,900,000 | 11,100,000 | 53% | 1,120,000 |
| 2018 | 2020 | 22,000,000 | 11,600,000 | 53% | 1,180,000 |
| 2019 | 2021 | 23,000,000 | 12,300,000 | 54% | 1,250,000 |
| 2020 | 2022 | 24,000,000 | 13,400,000 | 56% | 1,300,000 |
| 2021 | 2023 | 25,100,000 | 14,500,000 | 58% | 1,350,000 |



Employer Contribution Details For the Fiscal Year Beginning July 1, 2018

Table 1

| Division | Employer Contributions ¹ | | | | Computed Employer Contribut. With Phase-In | Blended ER Rate No Phase-In ⁵ | Blended ER Rate With Phase-In ⁵ | Employee Contribut. Rate | Employee Contribut. Conversion Factor ² |
|---|-------------------------------------|---|---|---|---|--|--|--------------------------------|---|
| | Normal Cost | Payment of the Unfunded Accrued Liability ⁴ | Computed Employer Contribut. No Phase-In | Computed Employer Contribut. No Phase-In | | | | | |
| Percentage of Payroll | | | | | | | | | |
| 01 - AFSME | 9.67% | 13.26% | 22.93% | 22.93% | 21.47% | | | 1.23% | 0.86% |
| 02 - Pol/Fire | 9.85% | 8.85% | 18.70% | 18.70% | 17.55% | | | 1.00% | 0.86% |
| 10 - Non Union | 10.29% | 14.40% | 24.69% | 24.69% | 22.70% | | | 1.27% | 0.82% |
| 11 - Clerical | 12.03% | 2.37% | 14.40% | 14.40% | 13.17% | | | 1.27% | 0.80% |
| 20 - Command | 9.23% | 13.31% | 22.54% | 22.54% | 21.15% | | | 1.00% | 0.81% |
| Estimated Monthly Contribution³ | | | | | | | | | |
| 01 - AFSME | \$ 7,142 | \$ 9,791 | \$ 16,933 | \$ 16,933 | \$ 15,856 | | | | |
| 02 - Pol/Fire | 6,834 | 6,141 | 12,975 | 12,975 | 12,174 | | | | |
| 10 - Non Union | 4,282 | 5,993 | 10,275 | 10,275 | 9,447 | | | | |
| 11 - Clerical | 2,750 | 543 | 3,293 | 3,293 | 3,011 | | | | |
| 20 - Command | 3,815 | 5,502 | 9,317 | 9,317 | 8,744 | | | | |
| Total Municipality | \$ 24,823 | \$ 27,970 | \$ 52,793 | \$ 52,793 | \$ 49,232 | | | | |
| Estimated Annual Contribution³ | \$ 297,876 | \$ 335,640 | \$ 633,516 | \$ 633,516 | \$ 590,784 | | | | |

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 (ie 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 If projected assets exceed projected liabilities as of the beginning of the July 1, 2018 fiscal year, the negative unfunded accrued liability is treated as overfunding credit and is used to reduce the contribution. This amortization is used to reduce the employer contribution rate. 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 to not add across.

⁵ For linked divisions, the employer will be invoiced the Computed Employer Contribution with Phase-in 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 800-767-2308.

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

Benefit Provisions

Table 2

01 - AFSME: Open Division

| | 2016 Valuation | 2015 Valuation |
|-------------------------------|----------------------------|----------------------------|
| Benefit Multiplier: | 2.50% Multiplier (80% max) | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 | 60 |
| Vesting: | 10 years | 10 years |
| Early Retirement (Unreduced): | 55/25 | 55/25 |
| Early Retirement (Reduced): | 50/25 | 50/25 |
| | 55/15 | 55/15 |
| Final Average Compensation: | 5 years | 5 years |
| Employee Contributions: | 1.23% | 1.23% |
| Act 88: | Yes (Adopted 11/3/1969) | Yes (Adopted 11/3/1969) |

02 - Pol/Fire: Open Division

| | 2016 Valuation | 2015 Valuation |
|-------------------------------|----------------------------|----------------------------|
| Benefit Multiplier: | 2.50% Multiplier (80% max) | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 | 60 |
| Vesting: | 10 years | 10 years |
| Early Retirement (Unreduced): | 55/25 | 55/25 |
| Early Retirement (Reduced): | 50/25 | 50/25 |
| | 55/15 | 55/15 |
| Final Average Compensation: | 5 years | 5 years |
| Employee Contributions: | 1% | 0.80% |
| Act 88: | Yes (Adopted 11/3/1969) | Yes (Adopted 11/3/1969) |

10 - Non Union: Open Division

| | 2016 Valuation | 2015 Valuation |
|-------------------------------|----------------------------|----------------------------|
| Benefit Multiplier: | 2.50% Multiplier (80% max) | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 | 60 |
| Vesting: | 8 years | 8 years |
| Early Retirement (Unreduced): | 55/25 | 55/25 |
| Early Retirement (Reduced): | 50/25 | 50/25 |
| | 55/15 | 55/15 |
| Final Average Compensation: | 5 years | 5 years |
| Employee Contributions: | 1.27% | 1.27% |
| Act 88: | Yes (Adopted 11/3/1969) | Yes (Adopted 11/3/1969) |

Table 2 (continued)**11 - Clerical: Open Division**

| | 2016 Valuation | 2015 Valuation |
|--------------------------------------|----------------------------|----------------------------|
| Benefit Multiplier: | 2.50% Multiplier (80% max) | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 | 60 |
| Vesting: | 10 years | 10 years |
| Early Retirement (Unreduced): | 55/25 | 55/25 |
| Early Retirement (Reduced): | 50/25 | 50/25 |
| | 55/15 | 55/15 |
| Final Average Compensation: | 5 years | 5 years |
| Employee Contributions: | 1.27% | 1.27% |
| Act 88: | Yes (Adopted 11/3/1969) | Yes (Adopted 11/3/1969) |

20 - Command: Open Division

| | 2016 Valuation | 2015 Valuation |
|--------------------------------------|----------------------------|----------------------------|
| Benefit Multiplier: | 2.50% Multiplier (80% max) | 2.50% Multiplier (80% max) |
| Normal Retirement Age: | 60 | 60 |
| Vesting: | 10 years | 10 years |
| Early Retirement (Unreduced): | 55/25 | 55/25 |
| Early Retirement (Reduced): | 50/25 | 50/25 |
| | 55/15 | 55/15 |
| Final Average Compensation: | 5 years | 5 years |
| Employee Contributions: | 1% | 0.86% |
| Act 88: | Yes (Adopted 11/3/1969) | Yes (Adopted 11/3/1969) |

Participant Summary

Table 3

| Division | 2016 Valuation | | 2015 Valuation | | 2016 Valuation | | |
|----------------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|--------------------------------------|--|
| | Number | Annual Payroll ¹ | Number | Annual Payroll ¹ | Average Age | Average Benefit Service ² | Average Eligibility Service ² |
| 01 - AFSME | | | | | | | |
| Active Employees | 16 | \$ 808,272 | 15 | \$ 726,019 | 40.1 | 9.2 | 9.2 |
| Vested Former Employees | 3 | 66,914 | 3 | 66,914 | 50.6 | 16.6 | 19.6 |
| Retirees and Beneficiaries | 11 | 270,233 | 12 | 275,588 | 70.1 | | |
| 02 - Pol/Fire | | | | | | | |
| Active Employees | 10 | \$ 759,278 | 10 | \$ 756,733 | 45.7 | 18.8 | 19.3 |
| Vested Former Employees | 1 | 12,756 | 1 | 12,756 | 58.0 | 13.3 | 13.3 |
| Retirees and Beneficiaries | 4 | 63,759 | 4 | 63,759 | 70.9 | | |
| 10 - Non Union | | | | | | | |
| Active Employees | 6 | \$ 455,418 | 5 | \$ 387,215 | 57.6 | 16.5 | 16.5 |
| Vested Former Employees | 4 | 52,485 | 3 | 50,877 | 52.0 | 7.6 | 10.8 |
| Retirees and Beneficiaries | 9 | 159,792 | 9 | 159,792 | 70.8 | | |
| 11 - Clerical | | | | | | | |
| Active Employees | 6 | \$ 250,196 | 6 | \$ 230,782 | 59.4 | 15.4 | 20.5 |
| Vested Former Employees | 1 | 1,950 | 1 | 1,950 | 60.9 | 3.7 | 20.2 |
| Retirees and Beneficiaries | 1 | 11,810 | 1 | 11,810 | 74.0 | | |
| 20 - Command | | | | | | | |
| Active Employees | 5 | \$ 452,336 | 5 | \$ 432,493 | 44.8 | 21.4 | 21.4 |
| Vested Former Employees | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| Retirees and Beneficiaries | 1 | 67,839 | 1 | 67,839 | 64.6 | | |
| Total Municipality | | | | | | | |
| Active Employees | 43 | \$ 2,725,500 | 41 | \$ 2,533,242 | 47.1 | 14.7 | 15.6 |
| Vested Former Employees | 9 | 134,105 | 8 | 132,497 | 53.2 | 10.8 | 15.1 |
| Retirees and Beneficiaries | 26 | 573,433 | 27 | 578,788 | 70.4 | | |
| Total Participants | 78 | | 76 | | | | |

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

² Description can be found under Miscellaneous and Technical Assumptions in the [Appendix](#).

Reported Assets (Market Value)**Table 4**

| Division | 2016 Valuation | | 2015 Valuation | |
|---------------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
| | Employer and Retiree ¹ | Employee ² | Employer and Retiree ¹ | Employee ² |
| 01 - AFSME | \$ 2,916,293 | \$ 101,280 | \$ 2,737,727 | \$ 90,569 |
| 02 - Pol/Fire | 2,283,348 | 119,290 | 1,989,420 | 111,732 |
| 10 - Non Union | 2,045,571 | 100,191 | 1,884,678 | 95,477 |
| 11 - Clerical | 787,839 | 49,404 | 685,905 | 45,837 |
| 20 - Command | 1,533,272 | 78,717 | 1,361,333 | 73,970 |
| Municipality Total | \$ 9,566,323 | \$ 448,882 | \$ 8,659,063 | \$ 417,585 |
| Combined Reserves | \$ 10,015,205 | | \$ 9,076,648 | |

¹ Reserve for Employer Contributions and Benefit Payments² Reserve for Employee Contributions

The December 31, 2016 valuation assets are equal to 1.077095 times the reported market value of assets (compared to 1.135382 as of December 31, 2015). The derivation of valuation assets is described, and detailed calculations of valuation assets are shown, in the Appendix.

Flow of Valuation Assets

Table 5

| Year Ended 12/31 | Employer Contributions | | Employee Contributions | Investment Income | Benefit Payments | Employee Contribution Refunds | Net Transfers | Valuation Asset Balance |
|------------------|------------------------|------------|------------------------|-------------------|------------------|-------------------------------|---------------|-------------------------|
| | Required | Additional | | | | | | |
| 2006 | \$ 306,935 | | \$ 0 | \$ 420,621 | \$ (191,436) | \$ 0 | \$ 0 | \$ 5,645,947 |
| 2007 | 325,884 | | 0 | 460,164 | (201,233) | 0 | 0 | 6,230,762 |
| 2008 | 341,767 | | 3,015 | 312,058 | (234,966) | 0 | 0 | 6,652,636 |
| 2009 | 377,646 | | 27,207 | 417,514 | (245,918) | 0 | 0 | 7,229,085 |
| 2010 | 373,267 | | 29,381 | 465,669 | (272,954) | 0 | 0 | 7,824,448 |
| 2011 | 391,853 | \$ 0 | 29,480 | 456,252 | (318,755) | 0 | 0 | 8,383,278 |
| 2012 | 382,514 | 0 | 28,224 | 425,240 | (368,886) | 0 | 0 | 8,850,370 |
| 2013 | 390,205 | 0 | 28,199 | 558,574 | (410,472) | 0 | 0 | 9,416,876 |
| 2014 | 407,859 | 9,252 | 27,803 | 554,736 | (485,354) | 0 | 0 | 9,931,172 |
| 2015 | 417,850 | 2,418 | 27,094 | 505,738 | (578,427) | (383) | 0 | 10,305,462 |
| 2016 | 469,769 | 676 | 29,301 | 557,986 | (574,326) | (1,541) | 0 | 10,787,327 |

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.

Additional employer contributions, if any, are shown separately starting in 2011. Prior to 2011, additional contributions are combined with the required employer contributions.

In the actuarial valuation additional employer contributions are combined with required contributions and used to reduce computed future required employer contributions.

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

Actuarial Accrued Liabilities and Valuation Assets As of December 31, 2016

Table 6

| Division | Actuarial Accrued Liability | Valuation Assets ¹ | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|----------------------------|--------------------------------|-------------------------------|----------------|--|
| 01 - AFSME | | | | |
| Active Employees | \$ 1,664,023 | \$ 74,461 | 4.5% | \$ 1,589,562 |
| Vested Former Employees | 443,269 | 351,064 | 79.2% | 92,205 |
| Retirees And Beneficiaries | 2,824,688 | 2,824,688 | 100.0% | 0 |
| Pending Refunds | <u>0</u> | <u>0</u> | 0.0% | <u>0</u> |
| Total | \$ 4,931,980 | \$ 3,250,213 | 65.9% | \$ 1,681,767 |
| 02 - Pol/Fire | | | | |
| Active Employees | \$ 2,962,474 | \$ 1,906,227 | 64.3% | \$ 1,056,247 |
| Vested Former Employees | 118,121 | 118,121 | 100.0% | 0 |
| Retirees And Beneficiaries | 560,028 | 560,028 | 100.0% | 0 |
| Pending Refunds | <u>3,493</u> | <u>3,493</u> | 100.0% | <u>0</u> |
| Total | \$ 3,644,116 | \$ 2,587,869 | 71.0% | \$ 1,056,247 |
| 10 - Non Union | | | | |
| Active Employees | \$ 1,544,316 | \$ 511,150 | 33.1% | \$ 1,033,166 |
| Vested Former Employees | 275,026 | 275,026 | 100.0% | 0 |
| Retirees And Beneficiaries | 1,522,516 | 1,522,516 | 100.0% | 0 |
| Pending Refunds | <u>2,498</u> | <u>2,498</u> | 100.0% | <u>0</u> |
| Total | \$ 3,344,356 | \$ 2,311,190 | 69.1% | \$ 1,033,166 |
| 11 - Clerical | | | | |
| Active Employees | \$ 853,667 | \$ 762,017 | 89.3% | \$ 91,650 |
| Vested Former Employees | 20,856 | 20,856 | 100.0% | 0 |
| Retirees And Beneficiaries | 110,198 | 110,198 | 100.0% | 0 |
| Pending Refunds | <u>8,719</u> | <u>8,719</u> | 100.0% | <u>0</u> |
| Total | \$ 993,440 | \$ 901,790 | 90.8% | \$ 91,650 |
| 20 - Command | | | | |
| Active Employees | \$ 2,007,607 | \$ 1,067,099 | 53.2% | \$ 940,508 |
| Vested Former Employees | 0 | 0 | 0.0% | 0 |
| Retirees And Beneficiaries | 669,166 | 669,166 | 100.0% | 0 |
| Pending Refunds | <u>0</u> | <u>0</u> | 0.0% | <u>0</u> |
| Total | \$ 2,676,773 | \$ 1,736,265 | 64.9% | \$ 940,508 |
| Total Municipality | | | | |
| Active Employees | \$ 9,032,087 | \$ 4,320,954 | 47.8% | \$ 4,711,133 |
| Vested Former Employees | 857,272 | 765,067 | 89.2% | 92,205 |
| Retirees and Beneficiaries | 5,686,596 | 5,686,596 | 100.0% | 0 |
| Pending Refunds | <u>14,710</u> | <u>14,710</u> | 100.0% | <u>0</u> |
| Total Participants | \$ 15,590,665 | \$ 10,787,327 | 69.2% | \$ 4,803,338 |

¹ Includes both employer and employee assets.

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

See Section 46 of the Plan Document for MERS Fiscal Responsibility policy, on the MERS website at:
<https://employerportal.mersofmich.com/SharePointFormsService/Default.aspx?Publication=MERSPlanDocument.pdf>.

Actuarial Accrued Liabilities - Comparative Schedule

Table 7

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|-------------------|--|
| 2002 | \$ 5,122,440 | \$ 4,085,321 | 80% | \$ 1,037,119 |
| 2003 | 5,672,607 | 4,368,053 | 77% | 1,304,554 |
| 2004 | 6,300,434 | 4,712,758 | 75% | 1,587,676 |
| 2005 | 6,936,238 | 5,109,827 | 74% | 1,826,411 |
| 2006 | 7,484,995 | 5,645,947 | 75% | 1,839,048 |
| 2007 | 8,026,181 | 6,230,762 | 78% | 1,795,419 |
| 2008 | 9,075,100 | 6,652,636 | 73% | 2,422,464 |
| 2009 | 9,805,033 | 7,229,085 | 74% | 2,575,948 |
| 2010 | 10,402,369 | 7,824,448 | 75% | 2,577,921 |
| 2011 | 11,143,466 | 8,383,278 | 75% | 2,760,188 |
| 2012 | 11,604,233 | 8,850,370 | 76% | 2,753,863 |
| 2013 | 12,141,556 | 9,416,876 | 78% | 2,724,680 |
| 2014 | 13,449,214 | 9,931,172 | 74% | 3,518,042 |
| 2015 | 14,840,169 | 10,305,462 | 69% | 4,534,707 |
| 2016 | 15,590,665 | 10,787,327 | 69% | 4,803,338 |

Notes: Actuarial assumptions were revised for the 2004, 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Division 01 - AFSME

Table 8-01: Actuarial Accrued Liabilities - Comparative Schedule

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|----------------|--|
| 2006 | \$ 2,550,722 | \$ 1,874,270 | 73% | \$ 676,452 |
| 2007 | 2,675,934 | 2,086,036 | 78% | 589,898 |
| 2008 | 3,095,017 | 2,208,731 | 71% | 886,286 |
| 2009 | 3,267,878 | 2,385,930 | 73% | 881,948 |
| 2010 | 3,440,471 | 2,579,141 | 75% | 861,330 |
| 2011 | 3,708,511 | 2,736,627 | 74% | 971,884 |
| 2012 | 3,803,340 | 2,873,820 | 76% | 929,520 |
| 2013 | 3,896,120 | 3,061,905 | 79% | 834,215 |
| 2014 | 4,385,994 | 3,203,437 | 73% | 1,182,557 |
| 2015 | 4,781,427 | 3,211,196 | 67% | 1,570,231 |
| 2016 | 4,931,980 | 3,250,213 | 66% | 1,681,767 |

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Table 9-01: Computed Employer Contributions - Comparative Schedule

| Valuation Date December 31 | Active Employees | | Computed Employer Contribution ¹ | Employee Contribution Rate ² |
|-------------------------------|------------------|-------------------|---|---|
| | Number | Annual Payroll | | |
| 2006 | 17 | \$ 798,523 | 12.78% | 0.00% |
| 2007 | 16 | 752,145 | 12.52% | 0.00% |
| 2008 | 16 | 791,648 | 14.72% | 1.23% |
| 2009 | 16 | 842,905 | 14.51% | 1.23% |
| 2010 | 16 | 814,745 | 14.83% | 1.23% |
| 2011 | 16 | 825,208 | 15.71% | 1.23% |
| 2012 | 16 | 820,436 | 16.08% | 1.23% |
| 2013 | 17 | 853,395 | 15.11% | 1.23% |
| 2014 | 16 | 710,251 | 19.53% | 1.23% |
| 2015 | 15 | 726,019 | 23.46% | 1.23% |
| 2016 | 16 | 808,272 | 22.93% | 1.23% |

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 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without phase-in is shown in Table 9 above. The contribution requirements including the 5-year phase-in are shown on page 7.

See the Benefit Provision History on page 36 for past benefit provision changes.

Division 02 - Pol/Fire

Table 8-02: Actuarial Accrued Liabilities - Comparative Schedule

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|----------------|--|
| 2006 | \$ 2,348,526 | \$ 1,806,827 | 77% | \$ 541,699 |
| 2007 | 2,599,314 | 2,018,361 | 78% | 580,953 |
| 2008 | 1,885,260 | 1,326,692 | 70% | 558,568 |
| 2009 | 2,044,070 | 1,450,389 | 71% | 593,681 |
| 2010 | 2,165,598 | 1,580,636 | 73% | 584,962 |
| 2011 | 2,380,367 | 1,722,033 | 72% | 658,334 |
| 2012 | 2,544,835 | 1,862,267 | 73% | 682,568 |
| 2013 | 2,573,181 | 1,930,008 | 75% | 643,173 |
| 2014 | 3,004,646 | 2,207,453 | 74% | 797,193 |
| 2015 | 3,417,339 | 2,385,610 | 70% | 1,031,729 |
| 2016 | 3,644,116 | 2,587,869 | 71% | 1,056,247 |

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Table 9-02: Computed Employer Contributions - Comparative Schedule

| Valuation Date December 31 | Active Employees | | Computed Employer Contribution ¹ | Employee Contribution Rate ² |
|-------------------------------|------------------|-------------------|---|---|
| | Number | Annual Payroll | | |
| 2006 | 17 | \$ 1,098,275 | 10.62% | 0.00% |
| 2007 | 17 | 1,155,704 | 10.70% | 0.00% |
| 2008 | 12 | 823,761 | 13.44% | 0.80% |
| 2009 | 11 | 814,022 | 13.27% | 0.80% |
| 2010 | 11 | 788,715 | 13.62% | 0.80% |
| 2011 | 11 | 792,314 | 14.20% | 0.80% |
| 2012 | 11 | 798,296 | 14.80% | 0.80% |
| 2013 | 10 | 714,630 | 15.18% | 0.80% |
| 2014 | 10 | 757,731 | 16.12% | 0.80% |
| 2015 | 10 | 756,733 | 18.62% | 0.80% |
| 2016 | 10 | 759,278 | 18.70% | 1.00% |

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 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without phase-in is shown in Table 9 above. The contribution requirements including the 5-year phase-in are shown on page 7.

See the Benefit Provision History on page 36 for past benefit provision changes.

Division 10 - Non Union

Table 8-10: Actuarial Accrued Liabilities - Comparative Schedule

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|----------------|--|
| 2006 | \$ 2,127,842 | \$ 1,574,367 | 74% | \$ 553,475 |
| 2007 | 2,239,729 | 1,687,133 | 75% | 552,596 |
| 2008 | 2,304,116 | 1,760,244 | 76% | 543,872 |
| 2009 | 2,596,724 | 1,869,141 | 72% | 727,583 |
| 2010 | 2,722,477 | 1,957,119 | 72% | 765,358 |
| 2011 | 2,780,252 | 2,029,117 | 73% | 751,135 |
| 2012 | 2,875,321 | 2,034,475 | 71% | 840,846 |
| 2013 | 2,899,374 | 2,145,607 | 74% | 753,767 |
| 2014 | 3,050,324 | 2,200,607 | 72% | 849,717 |
| 2015 | 3,246,469 | 2,248,232 | 69% | 998,237 |
| 2016 | 3,344,356 | 2,311,190 | 69% | 1,033,166 |

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Table 9-10: Computed Employer Contributions - Comparative Schedule

| Valuation Date December 31 | Active Employees | | Computed Employer Contribution ¹ | Employee Contribution Rate ² |
|-------------------------------|------------------|-------------------|---|---|
| | Number | Annual Payroll | | |
| 2006 | 8 | \$ 473,719 | 14.71% | 0.00% |
| 2007 | 8 | 482,577 | 14.69% | 0.00% |
| 2008 | 9 | 566,754 | 14.35% | 0.00% |
| 2009 | 8 | 555,215 | 16.83% | 1.27% |
| 2010 | 7 | 474,963 | 18.52% | 1.27% |
| 2011 | 6 | 409,759 | 20.47% | 1.27% |
| 2012 | 6 | 416,489 | 22.74% | 1.27% |
| 2013 | 4 | 282,712 | 25.67% | 1.27% |
| 2014 | 5 | 399,245 | 22.14% | 1.27% |
| 2015 | 5 | 387,215 | 26.24% | 1.27% |
| 2016 | 6 | 455,418 | 24.69% | 1.27% |

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 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without phase-in is shown in Table 9 above. The contribution requirements including the 5-year phase-in are shown on page 7.

See the Benefit Provision History on page 36 for past benefit provision changes.

Division 11 - Clerical

Table 8-11: Actuarial Accrued Liabilities - Comparative Schedule

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|----------------|--|
| 2006 | \$ 457,905 | \$ 390,483 | 85% | \$ 67,422 |
| 2007 | 511,204 | 439,232 | 86% | 71,972 |
| 2008 | 570,861 | 481,308 | 84% | 89,553 |
| 2009 | 550,852 | 533,264 | 97% | 17,588 |
| 2010 | 648,287 | 593,332 | 92% | 54,955 |
| 2011 | 714,586 | 651,504 | 91% | 63,082 |
| 2012 | 785,452 | 708,908 | 90% | 76,544 |
| 2013 | 747,117 | 705,843 | 95% | 41,274 |
| 2014 | 809,843 | 769,504 | 95% | 40,339 |
| 2015 | 921,004 | 830,807 | 90% | 90,197 |
| 2016 | 993,440 | 901,790 | 91% | 91,650 |

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

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 | | |
| 2006 | 7 | \$ 239,741 | 12.00% | 0.00% |
| 2007 | 7 | 250,882 | 12.10% | 0.00% |
| 2008 | 7 | 260,914 | 12.30% | 0.00% |
| 2009 | 6 | 235,809 | 11.00% | 0.00% |
| 2010 | 6 | 233,246 | 12.54% | 1.27% |
| 2011 | 6 | 233,744 | 12.47% | 1.27% |
| 2012 | 6 | 241,452 | 12.92% | 1.27% |
| 2013 | 6 | 224,913 | 12.22% | 1.27% |
| 2014 | 6 | 230,861 | 12.14% | 1.27% |
| 2015 | 6 | 230,782 | 14.68% | 1.27% |
| 2016 | 6 | 250,196 | 14.40% | 1.27% |

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 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without phase-in is shown in Table 9 above. The contribution requirements including the 5-year phase-in are shown on page 7.

See the Benefit Provision History on page 36 for past benefit provision changes.

Division 20 - Command

Table 8-20: Actuarial Accrued Liabilities - Comparative Schedule

| Valuation Date December 31 | Actuarial Accrued Liability | Valuation Assets | Percent Funded | Unfunded (Overfunded) Accrued Liabilities |
|-------------------------------|--------------------------------|------------------|----------------|--|
| 2008 | \$ 1,219,846 | \$ 875,661 | 72% | \$ 344,185 |
| 2009 | 1,345,509 | 990,361 | 74% | 355,148 |
| 2010 | 1,425,536 | 1,114,220 | 78% | 311,316 |
| 2011 | 1,559,750 | 1,243,997 | 80% | 315,753 |
| 2012 | 1,595,285 | 1,370,900 | 86% | 224,385 |
| 2013 | 2,025,764 | 1,573,513 | 78% | 452,251 |
| 2014 | 2,198,407 | 1,550,171 | 71% | 648,236 |
| 2015 | 2,473,930 | 1,629,617 | 66% | 844,313 |
| 2016 | 2,676,773 | 1,736,265 | 65% | 940,508 |

Notes: Actuarial assumptions were revised for the 2008, 2009, 2010, 2011, 2012 and 2015 actuarial valuations.

Table 9-20: Computed Employer Contributions - Comparative Schedule

| Valuation Date December 31 | Active Employees | | Computed Employer Contribution ¹ | Employee Contribution Rate ² |
|-------------------------------|------------------|-------------------|---|---|
| | Number | Annual Payroll | | |
| 2008 | 5 | \$ 392,968 | 12.71% | 0.86% |
| 2009 | 5 | 420,150 | 13.17% | 0.86% |
| 2010 | 5 | 401,619 | 13.08% | 0.86% |
| 2011 | 5 | 405,434 | 13.43% | 0.86% |
| 2012 | 5 | 396,590 | 12.51% | 0.86% |
| 2013 | 5 | 397,208 | 16.23% | 0.86% |
| 2014 | 5 | 430,243 | 18.38% | 0.86% |
| 2015 | 5 | 432,493 | 21.71% | 0.86% |
| 2016 | 5 | 452,336 | 22.54% | 1.00% |

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 for the 12/31/2015 through 12/31/2019 valuations do **not** reflect the phase-in of the increased contribution requirements associated with the new actuarial assumptions. The full contribution without phase-in is shown in Table 9 above. The contribution requirements including the 5-year phase-in are shown on page 7.

See the Benefit Provision History on page 36 for past benefit provision changes.

Division 01 - AFSME

Table 10-01: Layered Amortization Schedule

| Type of UAL | Date Established | Original Balance | Original Amortization Period** | Amounts for Fiscal Year Beginning 7/1/2018 | | |
|--------------|------------------|------------------|--------------------------------|--|-----------------------|----------------------|
| | | | | Outstanding UAL Balance* | Amortization Period** | Amortization Payment |
| Initial | 12/31/2015 | \$ 1,570,231 | 23 | \$ 1,670,767 | 22 | \$ 113,940 |
| Gain/Loss | 12/31/2016 | 46,584 | 22 | 52,103 | 22 | 3,552 |
| Total | | | | \$ 1,722,870 | | \$ 117,492 |

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

** Please see the [Appendix](#) on the MERS website for a description of the amortization policy.

The unfunded accrued liability as of December 31, 2016 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2016 valuation to take into account the expected future contributions that are based on past valuations. The projected unfunded accrued liability is amortized over the appropriate period.

Division 02 - Pol/Fire**Table 10-02: Layered Amortization Schedule**

| Type of UAL | Date Established | Original Balance | Original Amortization Period** | Amounts for Fiscal Year Beginning 7/1/2018 | | |
|-----------------|------------------|------------------|--------------------------------|--|-----------------------|----------------------|
| | | | | Outstanding UAL Balance* | Amortization Period** | Amortization Payment |
| Initial | 12/31/2015 | \$ 1,031,729 | 23 | \$ 1,090,691 | 22 | \$ 74,376 |
| Gain/Loss | 12/31/2016 | (9,120) | 22 | (10,201) | 22 | (696) |
| Plan Amendments | 12/31/2016 | 102 | 22 | 114 | 22 | 12 |
| Total | | | | \$ 1,080,604 | | \$ 73,692 |

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

** Please see the [Appendix](#) on the MERS website for a description of the amortization policy.

The unfunded accrued liability as of December 31, 2016 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2016 valuation to take into account the expected future contributions that are based on past valuations. The projected unfunded accrued liability is amortized over the appropriate period.

Division 10 - Non Union

Table 10-10: Layered Amortization Schedule

| Type of UAL | Date Established | Original Balance | Original Amortization Period** | Amounts for Fiscal Year Beginning 7/1/2018 | | |
|--------------|------------------|------------------|--------------------------------|--|-----------------------|----------------------|
| | | | | Outstanding UAL Balance* | Amortization Period** | Amortization Payment |
| Initial | 12/31/2015 | \$ 998,237 | 23 | \$ 1,040,894 | 22 | \$ 70,980 |
| Gain/Loss | 12/31/2016 | 12,232 | 22 | 13,681 | 22 | 936 |
| Total | | | | \$ 1,054,575 | | \$ 71,916 |

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

** Please see the [Appendix](#) on the MERS website for a description of the amortization policy.

The unfunded accrued liability as of December 31, 2016 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2016 valuation to take into account the expected future contributions that are based on past valuations. The projected unfunded accrued liability is amortized over the appropriate period.

Division 11 - Clerical**Table 10-11: Layered Amortization Schedule**

| Type of UAL | Date Established | Original Balance | Original Amortization Period** | Amounts for Fiscal Year Beginning 7/1/2018 | | |
|--------------|------------------|------------------|--------------------------------|--|-----------------------|----------------------|
| | | | | Outstanding UAL Balance* | Amortization Period** | Amortization Payment |
| Initial | 12/31/2015 | \$ 90,197 | 23 | \$ 101,374 | 22 | \$ 6,912 |
| Gain/Loss | 12/31/2016 | (5,246) | 22 | (5,868) | 22 | (396) |
| Total | | | | \$ 95,506 | | \$ 6,516 |

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

** Please see the [Appendix](#) on the MERS website for a description of the amortization policy.

The unfunded accrued liability as of December 31, 2016 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2016 valuation to take into account the expected future contributions that are based on past valuations. The projected unfunded accrued liability is amortized over the appropriate period.

Division 20 - Command

Table 10-20: Layered Amortization Schedule

| Type of UAL | Date Established | Original Balance | Original Amortization Period** | Amounts for Fiscal Year Beginning 7/1/2018 | | |
|-----------------|------------------|------------------|--------------------------------|--|-----------------------|----------------------|
| | | | | Outstanding UAL Balance* | Amortization Period** | Amortization Payment |
| Initial | 12/31/2015 | \$ 844,313 | 23 | \$ 892,777 | 22 | \$ 60,888 |
| Gain/Loss | 12/31/2016 | 67,677 | 22 | 75,695 | 22 | 5,160 |
| Plan Amendments | 12/31/2016 | (295) | 22 | (330) | 22 | (24) |
| Total | | | | \$ 968,142 | | \$ 66,024 |

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

** Please see the [Appendix](#) on the MERS website for a description of the amortization policy.

The unfunded accrued liability as of December 31, 2016 (see Table 6) is projected to the beginning of the fiscal year for which the contributions are being calculated. This allows the 2016 valuation to take into account the expected future contributions that are based on past valuations. The projected unfunded accrued liability is amortized over the appropriate period.

GASB 68 Information

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. Statement 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at www.mersofmich.com.

| | |
|--|------------|
| Actuarial Valuation Date: | 12/31/2016 |
| Measurement Date of Total Pension Liability (TPL): | 12/31/2016 |

At 12/31/2016, the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Inactive employees or beneficiaries currently receiving benefits: | 26 |
| Inactive employees entitled to but not yet receiving benefits: | 9 |
| Active employees: | <u>43</u> |
| | 78 |

| | |
|--|---------------|
| Total Pension Liability as of 12/31/2015 measurement date: | \$ 14,412,151 |
| Total Pension Liability as of 12/31/2016 measurement date: | \$ 15,147,424 |
| Service Cost for the year ending on the 12/31/2016 measurement date: | \$ 283,687 |

Change in the Total Pension Liability due to:

| | |
|---|--------------|
| - Benefit changes ¹ : | \$ (270) |
| - Differences between expected and actual experience ² : | \$ (113,562) |
| - Changes in assumptions ² : | \$ 0 |

¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

| | |
|--|--------------|
| Average expected remaining service lives of all employees (active and inactive): | 5 |
| Covered employee payroll: (Needed for Required Supplementary Information) | \$ 2,725,500 |

Sensitivity of the Net Pension Liability to changes in the discount rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|------------------------|----------------------------------|------------------------|
| Change in Net Pension Liability as of 12/31/2016: | \$ 1,891,230 | - | \$ (1,600,243) |

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

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.

01 - AFSME

| | |
|-----------|--|
| 12/1/2016 | Service Credit Purchase Estimates - Yes |
| 11/1/2008 | Benefit B-4 (80% max) |
| 11/1/2008 | Member Contribution Rate 1.23% |
| 2/1/2000 | Benefit B-3 (80% max) |
| 2/1/2000 | Member Contribution Rate 0.00% |
| 3/10/1998 | Temporary 8 Year Vesting (03/10/1998 - 05/12/1998) |
| 7/1/1994 | Benefit B-2 |
| 7/1/1994 | Member Contribution Rate 3.40% |
| 7/1/1981 | Benefit F55 (With 25 Years of Service) |
| 7/1/1981 | Member Contribution Rate 0.00% |
| 1/1/1979 | Benefit B-1 |
| 5/12/1975 | Exclude Temporary Employees |
| 11/3/1969 | Covered by Act 88 |
| 7/1/1967 | Fiscal Month - July |
| 7/1/1967 | Benefit FAC-5 (5 Year Final Average Compensation) |
| 7/1/1967 | 10 Year Vesting |
| 7/1/1967 | Benefit C-1 (Old) |
| 7/1/1967 | Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00% |

02 - Pol/Fire

| | |
|-----------|--|
| 12/1/2016 | Service Credit Purchase Estimates - Yes |
| 9/1/2016 | Participant Contribution Rate 1% |
| 10/1/2008 | Benefit B-4 (80% max) |
| 10/1/2008 | Member Contribution Rate 0.80% |
| 7/1/2001 | Benefit B-3 (80% max) |
| 7/1/2001 | Member Contribution Rate 0.00% |
| 7/1/1993 | Benefit B-2 |
| 7/1/1993 | Member Contribution Rate 2.80% |
| 7/1/1981 | Member Contribution Rate 0.00% |
| 7/1/1979 | Benefit F55 (With 25 Years of Service) |
| 1/1/1979 | Benefit B-1 |
| 5/12/1975 | Exclude Temporary Employees |
| 11/3/1969 | Covered by Act 88 |
| 7/1/1967 | Benefit FAC-5 (5 Year Final Average Compensation) |
| 7/1/1967 | 10 Year Vesting |
| 7/1/1967 | Benefit C-1 (Old) |
| 7/1/1967 | Member Contribution Rate 3.00% Under \$4,200.00 - Then 5.00% |
| 7/1/1967 | Fiscal Month - July |

10 - Non Union

| | |
|-----------|---|
| 12/1/2016 | Service Credit Purchase Estimates - Yes |
| 4/1/2009 | Member Contribution Rate 1.27% |
| 4/1/2009 | 8 Year Vesting |
| 4/1/2009 | Benefit B-4 (80% max) |
| 7/1/2001 | Benefit B-3 (80% max) |
| 7/1/2001 | Member Contribution Rate 0.00% |
| 9/1/1993 | Benefit FAC-5 (5 Year Final Average Compensation) |
| 9/1/1993 | 10 Year Vesting |
| 9/1/1993 | Benefit B-2 |
| 9/1/1993 | Benefit F55 (With 25 Years of Service) |
| 9/1/1993 | Member Contribution Rate 3.40% |
| 5/12/1975 | Exclude Temporary Employees |
| 11/3/1969 | Covered by Act 88 |
| 7/1/1967 | Fiscal Month - July |

11 - Clerical

| | |
|-----------|---|
| 12/1/2016 | Service Credit Purchase Estimates - Yes |
| 1/1/2010 | Benefit B-4 (80% max) |
| 1/1/2010 | Member Contribution Rate 1.27% |
| 7/1/2002 | Benefit B-3 (80% max) |
| 7/1/2002 | Member Contribution Rate 0.00% |
| 7/1/1995 | Benefit B-2 |
| 7/1/1995 | Member Contribution Rate 3.40% |
| 7/1/1994 | Benefit FAC-5 (5 Year Final Average Compensation) |
| 7/1/1994 | 10 Year Vesting |
| 7/1/1994 | Benefit B-1 |
| 7/1/1994 | Benefit F55 (With 25 Years of Service) |
| 7/1/1994 | Member Contribution Rate 0.00% |
| 5/12/1975 | Exclude Temporary Employees |
| 11/3/1969 | Covered by Act 88 |
| 7/1/1967 | Fiscal Month - July |

20 - Command

| | |
|-----------|---|
| 12/1/2016 | Service Credit Purchase Estimates - Yes |
| 9/1/2016 | Participant Contribution Rate 1% |
| 7/1/2008 | Benefit FAC-5 (5 Year Final Average Compensation) |
| 7/1/2008 | Exclude Temporary Employees |
| 7/1/2008 | 10 Year Vesting |
| 7/1/2008 | Benefit B-4 (80% max) |
| 7/1/2008 | Benefit F55 (With 25 Years of Service) |
| 7/1/2008 | Member Contribution Rate 0.86% |
| 11/3/1969 | Covered by Act 88 |
| 7/1/1967 | Fiscal Month - July |

Plan Provisions, Actuarial Assumptions, and Actuarial Funding Method

Details on MERS plan provisions, actuarial assumptions, and actuarial methodology can be found in the Appendix. Some actuarial assumptions are specific to this municipality and its divisions. These are listed below.

Increase in Final Average Compensation

| Division | FAC Increase Assumption |
|---------------|-------------------------|
| All Divisions | 4.00% |

Withdrawal Rate Scaling Factor

| Division | Withdrawal Rate Scaling Factor |
|---------------|--------------------------------|
| All Divisions | 100% |

Miscellaneous and Technical Assumptions

Loads – None.