

Board of Public Utilities

Regular Meeting Minutes

Monday, March 26, 2012
4:00 p.m., DPW Conference Room, 1199 8th Avenue



City of South Haven

1. Call to Order by Stickland at 4 p.m.

2. Roll Call

Present: Burr, Olson, Stein (ex-officio), Stickland
Absent: Berry, Henry, Overhiser (ex-officio), Rose (ex-officio)

3. Approval of Agenda

Motion by Burr, second by Olson to approve the March 26, 2012 agenda as presented. All in favor. Motion carried.

4. Approval of Minutes – February 27, 2012

Motion by Olson, second by Burr to approve the February 27, 2012 Regular Meeting Minutes as written. All in favor. Motion carried.

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

There were none.

There was discussion among the board regarding fees for turn-on of meters as opposed to tamper fees. Stickland requested that staff provide the utility policy for review at the next meeting.

REPORTS

6. Cost of Energy from Indiana-Michigan Power Company (AEP)

- A. 2012 Billings – All Charges
- B. 2011 Billings – All Charges

Stickland noted the cost per kwh went down 14.8% since last month; demand and fuel costs were also down. Burr agreed that our demand went down.

7. Financial Reports

- A. Water Fund CuFt Comparisons
- B. Water Fund Financial Statement

- C. Sewer Fund Financial Statement
- D. Electric Fund KWH Comparisons
- E. Electric Fund Financial Statement

Hochstedler gave an overview of the financial reports. Hochstedler noted that revenues are a little misleading due to special assessments. In Transfers Out there were some adjustments in and out; the Debt Fund was getting too much money and Williams Street had water related changes and main problems that were transferred to the Downtown Development Authority temporarily. Stickland asked if there was a reason that was not budgeted and noted that the transfer out is \$600,000 over budget. Hochstedler noted that Transfers Out includes all the debt service which explains why that is so high. The YTD Budget is divided by twelve which is why it looks messed up. Hochstedler noted that she made sure all transfers were made so there are no more transfers out to be made. Burr asked how often debt service is taken off. Hochstedler said the Treasurer has been taking more than required so Hochstedler had her go back and fix that. Burr asked about Transfers Out having a budget figure of \$107,000. Hochstedler noted that there are two different kinds of Debt Service which go to specific Debt Service funds. Hochstedler noted that the St Joseph project has funds in the Transfers Out column; Hochstedler transferred the Kal Haven Trail overage and the YTD figure needs to be adjusted to cover those overages.

Burr noted that the budget for this year included thirty new hookups multiplied by \$4,000. Chances are we had more hookups than that and Hochstedlar is putting that into Debt Service. Hochstedlar noted that we did have more connection fees in the early part of the year than we actually need to pay this debt service off. Burr asked whether there are excess fees from the prior year. Hochstedlar asked the Treasurer to watch the Debt Service closer and when we reach the top number the remaining money goes into the Water Fund. Stein noted that the bond is running a surplus and not a deficit. Burr pointed out that 25% of the water plant cost is covered by new connections. The problem Burr sees in the future is that after two years of thirty connections it might jump to sixty connections. Hochstedler said her concern is that any excess from debt service go back into the Water Fund. Burr noted an 8% loss of sales in the last month. Electric was down 11% YTD over last year.

Burr had a question on depreciation which Hochstedler explained that 575 includes the depreciation for the new water plant.

Hochstedlar noted that the same situation exists in the Sewer Fund. In Transfers Out the sewer fund had two different amounts that would total \$427,983 between Williams Street and Kal Haven Trail projects that came through on change orders. Burr said he thought \$200,000 was coming back from the County but Hochstedlar said that is not part of sewer. Burr noted that the owners on the Peterson Drain will be assessed for the sewer problem. Hochstedlar said the capital bond amount hasn't all been transferred out, nor has all of the St. Joe Street special sewer assessments been transferred out. Hochstedlar said some of that figure is Kal Haven Trail and part is St Joseph. Stickland asked why we did that if we did not have enough money; Hochstedlar said the projects were to be funded but that was before the change orders. Stickland said he did not remember going into these projects with the idea of being entirely funded by these funds.

Burr, on Rolling Twelve Months Electric Fund, noted the Transfers Out. Hochstedlar said a portion of that went to Downtown Development Authority and in July it was decided that the electric fund was not to be paying for the decorative lights. The Downtown Development

Authority will be repaying the Electric Fund with interest starting July 1, 2012. Hochstedlar noted that the money will come back as repayment of a loan. Burr asked for the balance of the fund which Hochstedlar noted was \$4M. Burr brought up keeping a balance and asked Hochstedlar her thoughts. Hochstedlar said you had a 10-yr plan and got it all done in 5-yrs; there is no rule of thumb. Olson noted that if we have a big ice storm we could need \$3M. Stickland said we do not know what we need to rebuild the system but we could not do it for \$4M. Per Stickland this system is about a 25-year life system and according to Burr it was started in 1988. Stickland said he would like to see us look at some of those lines that we reconducted back in the 1980s. Burr said we need to spend some dollars on tree trimming. Huff noted that Priebe still has a grid that he works from, keeping the trees trimmed.

8. Water Filtration Plant Construction Project

A. Fishbeck, Thompson, Carr & Huber Monthly Status Report 42

Huff noted that this is the standard report but it is all South Beach improvements. There was discussion of the sidewalks around the plant and Huff noted that is all done. Stickland questioned whether the lights were funded from the water fund. Stickland asked about the screen house; Huff noted the screens are out and there are new screens in the pump station.

9. Indian Grove Infrastructure Project

A. Sewer Study Progress Report

Huff has asked Abonmarche to provide monthly reports and if something new comes up they can come to the meeting. Stickland asked about the metering they are doing; Huff said they are putting the meters in the manholes and they are data logging meters.

10. Unresolved Issues Report

Huff noted that the Indian Grove Infrastructure Project can be taken off the list. Stickland asked that he make a note of it.

Burr asked about getting our contact at AEP straightened out to find out whom to contact if we have a problem. Stickland said we are scheduled to meet with American Electric Power the Friday before the next Board of Public Utilities meeting. Huff will have a fact list for us to go over before we get there. Burr noted that we don't have contact numbers any more. Burr suspects their dispatch center may have changed; we may be being dispatched out of Ohio.

NEW BUSINESS

11. Board will be requested to review fees for water connections, sewer connections, and water meter deposits.

Larry Halberstadt said it has been five years since we looked at connection and meter fees. We are losing quite a bit of money on them. Huff noted that the raise is mostly material costs; plastic is static but any kind of metals are through the roof. Halberstadt noted that labor costs increase about 2% every year.

Halberstadt said the City has changed manufacturers from Badger to Metron; it is a higher quality meter with less moving parts. Stickland said it is a brass meter. Halberstadt noted this is a drive-by read system; Stickland noted that they are mixed throughout the routes, so we really are not reading them. Stickland said we never did approve the conversion to radio reading but now we are apparently converting by osmosis. Huff noted that is the way the meters come. Stickland said we have never been able to amortize the cost. Stickland asked if we can put this off.

Olson questioned whether the meters can be ordered without radios. Huff noted that there would be two different costs. Stickland thought we have always had a separate fee for Covert customers. Halberstadt noted that Covert charges their customer a fee and we just turn around and charge the cost. Halberstadt and Stein discussed the way South Haven Township charges their customers. Stickland said these meters were chosen because they measure low-flow more accurately. Halberstadt said the old meters were made in the United States of America but they have moved all their manufacturing to Mexico, while the Metron meter is still made in the United States. Stein asked if there is a Metron meter that is not radio compatible. Stein asked if the only meter Metron makes is radio compatible.

Burr noted that these meters have batteries. Halberstadt said they are ten year batteries. Stickland would like to find out about getting a meter without the radio on them. Stickland feels it is irresponsible to put something on the customer's tab that we may never use.

Motion by Olson second by Burr to recommend to Council that the City buy Metron meters without radios for everyone except Covert customers. All in favor. Motion carried.

Stickland noted that this is the most detailed estimate of cost he has ever been approached with. Halberstadt noted there is still a certain amount of estimating due to differences in sites. Halberstadt noted that on a 1" service you could request a ¾" to a 1" meter. There was discussion regarding the size of service and what is included in the cost of putting in the service. Stickland would like to cut the overhead down to 10%, and perhaps get it down to a \$3,000.00 flat fee. Halberstadt noted he could round things to the nearest \$10. Halberstadt said it would be feasible to take the administrative fee down to 10%. A ¾" meter is \$450; a service tap fee is \$2,500 for a total of \$3,200.

Stickland said all we really did was take the administrative fee from 20% to 10%. That brings it to about \$2,800.

Motion by Olson, second by Burr to approve the meter assembly cost as presented eliminating the T-2 radio for non-Covert customers. All in favor. Motion carried.

Motion by Burr, second by Olson to reduce the administrative fee from 20% to 10% on 1" water service connection fee. All in favor. Motion carried.

The board looked at the sewer service cost. Stickland suggested cutting the administrative fee to 10%, noting he thinks we will meet costs at that rate. Halberstadt noted \$3,838 plus half of the admin fee = \$4,300. Halberstadt noted that "It is not pretty but we haven't raised rates for 5 - 6 years".

Motion by Burr, second by Olson to reduce the sewer administrative fee from 20% to 10% making the total cost for a 4" sewer connection fee \$4,300. All in favor. Motion carried.

12. Next meeting is scheduled for Monday, April 30, 2012 at 4:00 pm in the DPW Conference Room, 1199 8th Avenue, South Haven, Michigan.

13. Director's Comments

None at this time.

14. Board Member Comments

None at this time.

15. Adjourn

Motion by Burr, second by Olson to adjourn at 6:07 p.m. All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary