

Board of Public Utilities

Regular Meeting Minutes

Monday, April 28, 2014
4:00 p.m., DPW Conference Room
1199 8th Avenue



City of South Haven

1. Call to Order by Burr at 4:00 p.m.

2. Roll Call

Present: Burr, Roberts, Rose (Ex-officio), Stein (Ex-officio), Winkel, Stickland
Absent: Henry, Overhiser (Ex-officio)

Also present: Wendy Hochstedler, Finance Director.

3. Approval of Agenda

Motion by Burr, second by Winkel to approve the April 28, 2014 agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – March 31, 2014

Motion by Burr, second by Winkel to approve the March 31, 2014 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

None at this time.

REPORTS

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

- A. 2014 Billings – All Charges
- B. 2013 Billings – All Charges

7. Financial Reports

- A. Electric Fund – Financial Report for period ending March 31, 2014
- B. Electric Fund – Review of Percentage Billed

- C. Water Fund – Financial Report for period ending March 31, 2014
- D. Water Fund – Review of Percentage Billed
- E. Sewer Fund – Financial Report for period ending March 31, 2014

The board discussed the effect of estimated reads and true-ups. Burr noted that usually estimates are done in January and February but due to the weather this year there were three months of estimated reads.

There was discussion regarding flushing, plant usage of water and costs versus budget. Hochstedler noted that one thing that is throwing the figures off is the grants on the SSES (Sanitary Sewer Evaluation Survey).

8. Bond Reports

- A. Fund 370 – 2011 Building Authority General Obligation Limited Tax Refunding Bonds
- B. Fund 371 – 2012 General Obligation Limited Tax Refunding Bonds
- C. Fund 591 – 2001 Water Supply System Revenue Bonds
- D. Fund 591 – 2008/2009 Water Filtration Plant Capital Improvement Bonds
- E. Fund 591 – Amortization of Bond Discounts and Insurance Costs, Water Filtration Plant

Hochstedler noted that she included these reports due to a request from Mayor Burr and reviewed the funds as follows:

Fund 370; percentages used included LDFA (Local Development Finance Authority), DDA (Downtown Development Authority) and the Electric Fund. Initial bonds were issued in 2001.

Fund 371 – Hochstedler noted that LDFA (Local Development Finance Authority) and Sewer each have a fixed amount. These bonds were issued for the Ravines Sewer Rehabilitation and St. Joseph Street project area. Hochstedler explained the way the proceeds were distributed noting that the deficit/overage is finally done.

Fund 591 – Stand Pipe Repayment. Hochstedler noted there is a call schedule in this provision.

Water Fund Amortization. Hochstedler explained the Bond Discounts; there is really no capital outlay. It is just accounting practice to amortize it.

Discussion ensued regarding the debt service and how the rates get adjusted.

9. Quarterly Outage Report

Stickland noted that the number of tree outages should change once the work starts on the secondary tree trimming.

Stickland informed that the city experienced outages in the core city. There will be some trimming work done in the next month; the tree crews will have to pull off for Memorial Day and then commence work again after Labor Day. Burr noted that there has never been major work done on the secondary so some of the infrastructure could be forty (40) years old.

10. Unresolved Issues Report

No new issues per Halberstadt.

NEW BUSINESS

11. Board will be requested to consider a request from Mr. Jack Shapiro for a water and sewer credit at 09704 76th Street, South Haven Township.

Hochstedler noted that staff does not believe that this qualifies as a “hidden leak.” Stickland noted that this is staff interpretation. Halberstadt noted that there is no definition of “hidden leak” in the policy. Stickland said we can let this go to staff to determine whether this is a hidden leak. The board consensus was to issue only a sewer credit since none of the water that flowed from the outdoor faucet went through the sewer.

12. Board will be requested to review Public Act 95 of 2013 and make a recommendation to City Council.

Halberstadt noted this is the low income energy assistance fund. Each year this needs to come back to the board unless you do not want to discuss this annually. Halberstadt noted that he could write a resolution that City Council could pass, to handle this request the same every year.

Stickland noted that he would like to be kept abreast of how staff is handling this.

Burr noted that delinquent balances end up on the tax rolls and the customer must pay it off with their taxes.

Motion by Roberts, second by Winkel to recommend that the City elect to opt out of collecting the low income surcharge as outlined in PA 95 of 2013. Shut offs to residential customers for nonpayment of a delinquent account will need to be suspended from November 1, 2014 to April 15, 2015.

All in favor. Motion carried.

13. Board will be requested to review Bid Number 2014-08: Application of Biosolids to Farmland and make a recommendation of award to City Council.

Stickland noted this is an item that the board has to consider every three years. Halberstadt shared the information he has on the contractor.

After discussion there was a motion by Burr, seconded by Roberts to approve a recommendation to City Council to award Bid Number 2014-08, Application of Biosolids to Farmland to GroAmerica of Grand Rapids, Michigan at the unit prices indicated on their submitted bid.

All in favor. Motion carried.

14. Board will review draft budgets for the Electric, Water, and Sewer funds for the 2014-2015 fiscal year.

Hochstedler noted that the overall utilities cost of living increase is being proposed and it is up to the board what they want to do. Noted there are increases proposed for water and sewer but not electric.

Halberstadt pointed out the figures that indicate what the average customer uses. Burr noted that Covert's is the same as the City of South Haven.

Electric Fund – Hochstedler noted this is for the 2014 to 2015 proposed budget and explained the figures which would be sufficient for the next fiscal year, without knowing what the true-up will be. Hochstedler pointed out the capital outlay items which were moved from 2014 to 2015. That included the expansion of the DPW (Department of Public Works) plant and remodel of some of the offices, both of which did not get done this year, so those figures have been moved over to 2015. Hochstedler pointed out that some of these figures can be adjusted depending on what projects actually get done. There are reserves that can be used for future projects if they are accelerated.

Burr is concerned that there may not be enough budgeted for doing the building and the secondary work.

There was discussion of how much money is actually out there to use; Halberstadt noted he is working with an architect to get a firmed up number, while the number that is indicated in the chart is just a rough number. Burr noted there is a reserve we can draw from. There was discussion of Operations & Maintenance versus Capital work.

Water Fund – Hochstedler explained the proposed rate increase and noted the reserves and capital assets. Stickland suggested that we not recommend a two percent (2%) increase because we are not reducing our net reserves and we have a lot of old water main in town that will be needing replacement and believes that would make it easier to deal with the surcharge we will have to do in the future. Someone needs to come in and do a rate study and help us know what we need to do. Stein commented that if you just increase according to the cost of living it is better than doing it all at once, especially for those on fixed incomes. Burr agreed with Stein regarding the inflationary rate. Burr noted that even if we fund a rate study, he believes we should increase the rates annually. There was discussion of how the money would be used if the rates were raised.

Rose indicated that Covert just had a rate study on sewer and it does not really tell you what you need to know. Stein reiterated that the fixed income seniors are the ones who are really affected by an increase. Burr agreed that a large increase is not fun and noted that Chicago is doing the annual cost of living increase. Roberts asked whether the city could tap federal money; Halberstadt noted it is easier to get grants for road construction because the federal government thinks the utility should just raise rates to cover infrastructure.

Motion by Burr to increase the water rates 2 percent (2%). Second by Roberts.

All in favor. Motion carried.

Sewer Fund. Halberstadt noted we have a very small reserve in the sewer fund. Hochstedler said there are significant expenditures coming in 2016 through 2017 that are a product of the study Abonmarche is doing. Hochstedler explained that she wanted to build up some

reserves. There was discussion regarding approving a rate increase, then going with the rate study. Stein and Rose agreed that they rather see the gradual increases which is in line with the rate of inflation. Hochstedler pointed out the work expected to be done on Dyckman.

Motion by Winkel, second by Roberts to approve a sewer rate increase of four percent (4%).

All in favor. Motion carried.

Hochstedler noted City Council will be updated before their next regular meeting and then be presented the proposed budget at their regular meeting on May 5. Discussion ensued regarding whether the state is pressuring the utility; Halberstadt noted that we are trying to be pro-active and the SAW (Stormwater, Asset Management, and Wastewater) Grant Program requires the city to do the projects for which we accept the money.

Discussion ensued about storm water systems, how they are being detected and what can be done to enforce not having storm water running into sanitary sewers. There are many instances of sump pumps in basements pumping water into the storm sewer.

15. Acting Public Works Director Comments

- A. Next Meeting is scheduled for May 19, 2014, as approved by the board at the November 2013 meeting, due to the Memorial Day Holiday. City Council is also scheduled to meet at 7:00 pm on that day.
- B. Update on Roger Huff.

Halberstadt updated the board on the Huff's progress.

16. Board Member Comments

Rose asked about the valve turning machine; noted that Covert paid for half of that machine and have not had any valve turning done. Rose is concerned with maintenance of the valves. Halberstadt promised they will get it done.

The city has had a complaint from Kathy Wagaman regarding grease in the sewer. There were questions and discussions regarding inspection of grease traps.

17. Adjourn

Motion by Winkel, second by Roberts to adjourn at 5:47 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary