

Board of Public Utilities

Regular Meeting Minutes

Monday, April 30, 2012
4:00 p.m., DPW Conference Room, 1199 8th Avenue



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

2. Roll Call

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

Also present: Wendy Hochstedler, Finance Director; Kelly Steinman, Customer Service Manager

3. Approval of Agenda

Motion by Berry, second by Henry to approve the agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – March 26, 2012

Motion by Henry, second by Burr to approve the March 26, 2012 regular meeting minutes as presented.

All in favor. Motion carried.

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

Huff explained that Cobb received a tamper fee on her bill; when our crew went out to turn the electric back on after a winter turnoff they found it was already on.

Sue Cobb, 713 North Shore Drive, South Haven. Cobb said she had received a call from the utility asking if she wanted the electric on. Cobb said it was a summer residence until May 2010 when she moved up here permanently but went back for three (3) months to be closer to the kids. The person who opens and closes her property, John Tromatola, told her he had turned the electric on so he could blow the lines out in the fall. Burr asked if there was usage; Huff passed the paperwork on to Steinman who said there was 116 kilowatt hours usage from December 14, 2011 (shut off) to Feb 28, 2012 (turn on).

Stickland said the issue is not the usage but the meter tampering. Cobb said the contractor showed her what he did and like he said, he just turned a switch. Stickland said there could be a cut off on her side of the meter. Berry asked whether there was an intact seal on the meter; Huff noted that there was not. Huff stated that staff seals every meter they turn off. Steinman said we have had this problem with several contractors, but not this particular one. Stickland said the purpose of the tampering fee is to keep people from tampering with the electric meters.

Stein asked if there is any history of Tromatola calling in to have the meter turned on; there was not, per Steinman. Stickland asked if our staff is being more diligent now. Steinman said yes, because of this issue, staff is taking pictures and checking the seal etc. Steinman said it is all a part of safe practices on the part of the electric crew.

Burr says he is willing to forgive the tampering fee this year but if it happens again next year, there will be an automatic charge and it will not be forgiven. The board discussed the best way to get the information about meter tampering to the contractors. Cobb said she would be letting her contractor know. Stickland says we should be able to get the information to them from City Hall. Ransom, Building Department, will get the contact information for Plumbing and Electrical Officials to Stickland, Burr and Huff.

Burr stated that the City is not charging enough for utility turn off and turn on.

Motion by Henry, second by Berry to forgive the tampering fee for Ms. Cobb for this year only.

All in favor. Motion carried.

REPORTS

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

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

Berry asked if there is an automatic increase in the contract for demand charges. Stickland explained the increase is fixed in the contract; the increase is adjusted each year. Berry noted it is double what it used to be. Burr said we need to find night time customers, like second or third shifts. The board discussed smart metering.

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 reviewed the water fund comparisons. Burr noted that there was more billed than in the prior year but less was pumped. Berry noted we flushed a lot less March 2011 to March 2012. Steinman noted March is the month utility billing usually gets the actual reads after winter. Berry asked what changed in December in regards to the flushing that it went from two hundred (200) to sixty-eight (68). Huff said we reduced the amount of flushing. After further discussion and questions, Huff stated that he also does a daily calculation when

he is here and he was not here in December. Berry noted the percentage dropped, what caused that. Huff said the timers were set to flush less often. The board discussed the fact that chlorine dissipates less rapidly in colder temperatures.

Huff noted the months had the same number of days; Berry noted that January has 31 days and February has 28. Huff said the calculation is based on the days of the week that flushing occurs.

Stickland noted that in the financials he does not understand the transfers out but wondered why we budgeted for about half of what we actually transferred out. Hochstedler said that is the year-to-date budget but noted the transfers for the year; the difference between budget and actual is due to the overages on the Williams Street and Kal-Haven Trail projects. Hochstedler also noted Debt Service is in there which is usually transferred out along with a portion of the Special Assessments from the St. Joe Street project, but this time there were also overages.

Stickland pointed out that the Sewer Fund has the same issue. Hochstedler explained that is due to the same overages. After a question by Stein, Hochstedler noted that there are usually expenses incurred even if you do not sell anything. Huff pointed out pump repairs that were done also. Burr asked why Administrative Expenses went up by \$42,000. Rose asked about insurance costs which Hochstedler said she thinks is in Operating Expenses. Stickland asked what Administrative Expenses were; Hochstedler said she does not have those figures with her. Stickland asked why the Administrative personnel costs go up \$60,000 for the 2013 budget, then noted the board can get into that when we get to budget.

8. Water Filtration Plant Construction Project

A. Fishbeck, Thompson, Carr & Huber Monthly Status Report 43

Huff said South Beach construction paving is scheduled for May 9 and 10; and barricades will come down May 15. Berry asked about vandalism. Huff said there was fresh concrete which was damaged; the contractors were able to grind it out and fix it. Berry asked if the City is paying for the playground equipment. Huff noted that they same project manager did both projects. Berry asked why they did not do two reports. Fishbeck just continued on the report from the plant to the South Beach project, according to Huff. Berry said we need to have a paragraph indicating which project is which.

Burr said we have a question about who paid for the playground equipment. Huff will provide a breakout for the next meeting.

9. Indian Grove Infrastructure Project

A. Sewer Study Progress Report

Huff noted this report is from Abonmarche on the Indian Grove project; this is mostly data collection so the report has not changed much from last month. Berry asked if all the meters are in place; Huff said they have quite a few and noted that he got this information two weeks ago; according to the report seven (7) of the eleven (11) are in. Huff stated that this report will be included monthly. Berry asked if the other four (4) will be in for the season; Stein noted they could have been done in the last two weeks. Stickland noted he is looking forward to the information.

10. Unresolved Issues Report

Huff pointed out the new items this month. Huff has added the monthly report for the Indian Grove project; he is removing the lift station from the Unresolved Issues Report.

Stickland asked if GRP sent us any info. Huff said the City's data was passed on, but he doubts GRP has done much with it yet, noting that GRP has been pretty busy.

Burr asked if there was any progress in finding out whom at American Electric Power to contact during an outage. Burr noted that at this end, staff was not sure they had gotten through to the correct person to report the outage. American Electric Power has a different story; they were in the middle of a big outage, they claim the City staff got in touch with their call center and our rep. American Electric Power said the report they got was that the City was only experiencing bumps which take second place to an outage.

American Electric Power stated that City crews went out and cleared an energized line. Burr noted that what happened is a tree was cut down by crews the next day. Burr said in the daylight the tree was not in the lines due to the wind dying down. During the previous night, the tree kept blowing into the lines and the next day the tree was all charred and blackened from burning. Burr noted again that the tree was not in contact with an energized line when city crews cut down the tree. Stickland said American Electric Power is concerned about what the city did and the board is concerned about what the city perceives as American Electric Power's lack of concern about our problem of knowing who to call.

Berry asked if Stickland talked to the right guy; Stickland said, "I spoke to our rep and he will bring some associates up to have a meeting with us." Burr said the City needs to know who to call. Berry said the City needs to know how American Electric Power sets priorities. Stickland said the report American Electric Power got was that the City was having bumps, which Stickland described as a tree blowing into the line, causing blinks and re-closure. Stickland stated that even if the bumps happen repeatedly that does not get priority over an outage. Huff said he is not sure American Electric Power was fully aware of the severity of our problem due to not being able to contact the right person.

11. Electric Outage Report, 1st Quarter 2012

Burr is concerned that the number of outages caused by trees is going up; we have too many tree outages. Stickland noted that there were also too many faulty device outages. Stickland said rising tree outages are an indication of the need to review the tree trimming program; the failed devices are an indication of the line rebuild getting older and the need to start looking at another phase of rebuilding the system. Huff stated that GRP and Bill Conklin are going to look at a 5-year plan.

Huff said Priebe (City Arborist) circulates through the city and it takes about three years to get all the way through. Stickland asked if he works closely with the electric crews. Huff said "Yes, Priebe is part of our staff meetings." Burr asked what the split is between tree outages in the city and out of the city. Huff said that split cannot be determined by these reports. Burr said it would be nice to know; we kind of have two policies due to people outside the City wanting their trees trimmed so their power will not go off and the people in the City do not want their trees trimmed. Stickland said the question is whether we want to have a different policy for in and out of the City.

Berry asked why, on the second graph (Customer Average Interruption Duration Index) the August reading went up and remained up. Huff will review with Bosscher and see how he gets those numbers. Berry noted that in August of 2010 it went up but not as much. Huff said 2010 is probably when we started using this new reporting system; he will check into that.

Stickland said for outage reasons, tree problems are staying pretty level. Stickland noted that you get different outcomes with different reports, which leads to the question of which report should be believed. Huff said Gordie Hull provides the data; the reports are put together by Ryan Bosscher. Stickland said the question is why they do not agree.

Stickland said the rebuild we started back in 1980 is getting old, thirty years old, we have some money put away that could be used for current rebuilding.

OLD BUSINESS

12. Board will be presented additional information concerning the fees being charged for establishing a new utility account (read and change fee).

Hochstedler said the board voted some time ago on changing the policies for read and change. Regarding that, Halberstadt said in the minutes, "I was quoted as saying it would be okay." Hochstedler said she wanted to bring that discussion up because that policy change will create a nightmare in the Billing Department. Hochstedler noted that she brought Kelli Steinman, the Supervisor of the Billing Department to provide input and answers to questions. Hochstedler also noted that the new "Read and Change Policy" has not been brought to City Council yet because of that. Burr said some utility companies offer that service; provide an estimated read and start the new account with whatever that estimated read is. They do not send staff out to do a read.

Steinman said, "If you do make a change, make it clear and concise so it can be implemented." Hochstedler asked, "If the customer did the read, how would that work?" Steinman provided the scenario of a customer does the read and makes an error on the read (even our meter readers make errors) and provides that number to the landlord. Stickland said there used to be a high-low chart and it was not used. Steinman said it will bring a lot of issues to the Billing Department. The City will lose revenues. Steinman said there could be options like the customer could estimate the read, or read it themselves, or pay to have someone come out and read it. Kelly asked what would happen if the new property owner will not accept the read. Hochstedler gave the example of a renter leaving the water running and vacating the house, leaving the landlord to pay the high water bill created.

Rose asked what Hochstedler and Steinman would recommend. Kelly said her recommendation is to continue to do the read. Kelly explained that this procedure (shut off and turn on) goes through several departments and the fees barely cover costs. Stickland said the cost should determine the fee. Kelly says Halberstadt has recommended a fee of \$26.50 in his report.

Berry said the conversation was, "Can it not be done by one trip?" Kelly said it is done in one trip, with a \$15 fee charged for each service. Burr said a .5 hour is allotted for a read and change; maybe the utility cannot offer the service.

Steinman agrees that it would be good to have one fee for a read and change. After discussion and questions regarding who actually does the read, Steinman said the meter readers do the read and changes, so only one trip is made, because it seemed to fit into their work structure better than it fit into the electric crews' structure. Steinman noted that even if there is one charge two charges will appear on the bill; half will be applied to water and half to electric. Burr says just leave it alone until we get automated meter reading.

Motion by Burr to rescind the motion from the November 28, 2011 meeting which recommended a change to the meter reading policy. Second by Berry.

All in favor. Motion carried.

All in favor. Motion carried.

NEW BUSINESS

13. Board will be requested to approve water and sewer rate adjustments for Fiscal Year 2012 – 2013 beginning on July 1, 2012.

Hochstedler reviewed the Fiscal Year 2013 budgets, as provided on page seventy (70) of the Agenda packet.

Hochstedler adjusted purchased power by 5%. Stickland said it will wipe out the deficit. Burr said you can put the remainder under Capital Outlay. Hochstedler noted that there is a minimal amount of Capital Outlay in this budget.

Stickland was concerned that it would be falsifying the numbers but Hochstedler explained that amount can be taken out of the Purchased Power item and put it into Capital Outlay. Burr said we need another half a million dollars for projects.

Hochstedler noted that the figures Stickland was looking at were after the audit; right now there is no leeway for any kind of improvements. Huff said the one we have if we make it to Agenda Item #14 is the last big project in the 10-Year Plan. Hochstedler said if she did that transfer the Utility would have some money for a project that might come up.

Burr asked why there is a drop in Payment in Lieu of Taxes. Hochstedler said she does not think that is accurate and she will check on it for the final document; the fund revenue will equal expenses.

Hochstedler noted that the projected revenues for the Sewer Fund are about the same as last year. Hochstedler stated that she did an analysis of where we need to be in this fund to cover costs. For a number of years there have been certain areas that were not funded and some that were over-funded. No rate changes are recommended by Hochstedler at all in this fund. Hochstedler noted that there is minimal capital outlay in this fund for the Kalamazoo Street portion. There was a brief discussion regarding Reserves.

Stickland asked about the studies being done. Hochstedler noted that will not be in 2013.

Burr said a year from now, our big thing will be a bond for Kalamazoo Street. Stickland said we budgeted for Kalamazoo Street and he did not know the Board had approved that. Burr

said there will be some paving from downtown Kalamazoo and out a couple of blocks. Hochstedler said Indian Grove is the question mark.

Hochstedler continued, "The Sewer Fund is over-funded by nearly \$30,000. There is an \$80,000 shortfall in Operations and \$136,000 in the Capital Asset area. When all are taken into consideration, Hochstedler recommends no changes.

On the Water Fund, Hochstedler noted that she again went through an analysis to see what rate changes might be necessary. Hochstedler said the components on the sample utility bill in the packet lays out what it takes to get even. If the rates are raised as recommended the coverage report shows a break-even point. Hochstedler reviewed the residential utility bill comparison on page seventy-eight (78) of the packet. The rate changes Hochstedler is proposing would just be to cover this Fiscal Year charges and try to get in line with the Operating, Debt-Service and Capital needs.

Burr said if you start this analysis in 2008 those two years would have been twenty-five (25) connections each. Burr stated that the whole bond was originally based on twenty-five (25) connections and then we went to sixty (60) connections and we exceeded that for the first two years. Burr asked if Hochstedler is trying to change the connection fee to which Hochstedler responded that City Manager Dissette told her to increase the connection fee by 2%. Burr stated that he would like to see the utility sit on the connection fee. Stein said if the utility bumps that fee up out in the township he will not be able to sell it. Hochstedler said she is okay with leaving the connection fee the same. Rose explained how it works in Covert. Burr asked if we can just leave the availability fee alone, to which Hochstedler replied that she can do that. Burr noted that on the horizon the City has a couple of large customers coming. Stein noted that Meijers is 24-hour use and the apartment complex in Casco is about 54 units. Stein said Casco's Master Plan is now going to allow the density the developer wants. Burr said the developer is pretty set on doing the complex. Stein said he thinks that bumping the connection fee up would be a deterrent to development.

Hochstedler noted that it does not look like revenues have covered Debt Service being shy nearly \$450,000 from 2009 to current. Hochstedler said that has to be made up; it is a fixed expense with principal and interest and she cannot go with 30% of it not being funded. Burr asked if the 8% increase will fund that and Hochstedler responded, "Yes." Rose asked for how long. Hochstedler said those increases should be sufficient to bring the Debt Service into at least a positive mode. Hochstedler said Operations has been under-funded for a number of years; on average an annual \$245,000/year. Hochstedler noted the increases are necessary to get to a break-even point. On Capital related expenses (Depreciation, Capital Improvements for the year) the fund is under funded by half a million dollars; Hochstedler noted that shortfall will have to be addressed in the future. Hochstedler repeated that depreciation has just not been being funded; with the new plant Hochstedler is not sure that is the way to go but is not comfortable increasing rates any more at this time. Hochstedler noted the changes she is recommending will be about an \$8 increase on the average residential utility bill; about a \$19.48 increase overall. There will be no change in Sewer, no change in Electric; those funds will remain where they are. Hochstedler noted that the board needs to keep in mind that we look forward to anything that will improve the cash flow capabilities of the water fund. If Hochstedler takes the 2% increase for connection (only for new connections) fees out, Hochstedler hopes the board will be in support of the changes proposed.

Rose said we are charging more, will we be losing money by people using less water. Burr said we do not have a choice; the increase that is being recommended is necessary. Stickland said otherwise the utility has to subsidize it. Stickland noted our water is not cheap but it is there; it was extended out into the townships because some people could not get water. Rose noted that she understands but must make a statement for her residents. Stickland noted that we are a small system that provides expensive water. Burr said our electric sales stayed the same but our water use is dropping.

Motion by Burr, second by Berry to recommend approval of the rate increase as follows:

- 1.) No changes in sewer rate
- 2.) No changes in electric rate
- 3.) Water rate will increase approximately \$8.00 per average residential user
- 4.) The availability rate will remain the same.

All in favor. Motion carried.

14. Board will be requested to approve award of Bid Number 2012-04, #109 Blue Star Highway Line Rebuild.

Huff said this is the last large project in the 10-year plan; this was included in the budget. It is a half-mile segment and one 0.6-mile segment along Blue Star Hwy to update the conductors. Received five bids from the seven solicited.

Motion by Burr to award the Blue Star Highway Line Rebuild to CC Power for \$57,005.
Second by Berry.

All in favor. Motion carried.

15. Board will begin the process of reviewing the tampering policy and fee.

Huff was requested to provide the policy on tampering to start the process of reviewing it. Included in your packet are all references to tampering from Board minutes, the City Council Resolution and the Manager's Report.

Huff is asking the Board to send him suggestions of definitions for tampering, suggested process of notification and suggested process of appeal to be sent to him over the next few weeks.

Burr said he thinks \$250 is too large of a fee for meter tampering. Theft of service is different than that. Burr said when the meters get shut off they do not get removed from the meter readers' route. On shut-off for non-pay they are still included on the meter readers' route. Burr suggested that the board needs to find out if other utilities have a different charge on theft of electricity and usage on a sealed meter. Burr said some companies leave the meter there so they can measure what is stolen. Berry noted that many people see the meter tampering fee as an affront that you would think they were stealing. Huff said the current policy does not define much of anything; it was an administrative change to start charging the fee. Huff noted the meter tampering fee verbiage was in the policy although the amount was not approved by City Council until 2010.

16. Next meeting is scheduled for TUESDAY, May 29, 2012 at 4:00 pm in the DPW Conference Room, 1199 8th Avenue, South Haven, Michigan.

17. Director's Comments

Huff noted that last Thursday he went to the Efficiency United meeting, the provider of our energy optimization program. Burr stated that their presentation and group were very professional. Huff will provide the quarterly report at the next Board of Public Utilities meeting.

Stickland asked if the City met our goals and Burr noted that we had not met them yet. After comments about meeting them last year, Burr said extra light bulbs were handed out because there were not enough refrigerators recycled.

18. Board Member Comments

Rose noted that Covert Township has had their water tower painted. Dickson oversaw it, Halberstadt worked with us and Feedawa did the painting. Rose noted some repairs were one on the inside and some portions of the inside were painted.

19. Adjourn

Motion by Berry, second by Burr to adjourn at 6:18 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary