

# Board of Public Utilities

## Regular Meeting Minutes

Monday, March 28, 2016  
4:00 p.m., DPW Conference Room  
1199 8<sup>th</sup> Avenue



City of South Haven

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

### 2. Roll Call

Present: Mike Henry, Barbara Rose (Ex-officio) (4:07 p.m.), Barry Winkel, Bob Burr  
Absent: Alan Overhiser (Ex-officio), Bill Roberts, Bob Stickland, Ross Stein (Ex-officio)

Also present: Roger Huff, DPW Director; Larry Halberstadt, City Engineer; Amanda Morgan, Customer Service Supervisor; Wendy Hochstedler, Finance Director

### 3. Approval of Agenda

Motion by Winkel, second by Henry to approve the March 28, 2016 Regular Meeting Agenda as presented.

All in favor. Motion carried.

### 4. Approval of Minutes for the Record

#### A. January 25, 2016 Regular Meeting Minutes

Motion by Winkel, second by Henry, to approve the January 25, 2016 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

## REPORTS

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

- A. 2016 Billings – All Charges
- B. 2015 Billings – All Charges

### 7. Financial Reports

- A. Electric Fund – Financial Statement
- B. Electric Fund – Cashflow Statement
- C. Electric Fund – Review of Percentage Billed
- D. Water Fund – Financial Statement
- E. Water Fund – Cashflow Statement
- F. Water Fund – Review of Percentage Billed
- G. Sewer Fund – Financial Statement
- H. Sewer Fund – Cashflow Statement

Discussion ensued regarding an error in the financials after Burr questioned the YTD (year-to-date) figure.

Burr pointed out that the cost of energy report is consistent with last year, with no spikes or jumps.

### 8. SAW Project Update

Chris Cook with Abonmarche Consultants presented an update on the projects being designed with SAW funding. The projects discussed are scheduled for construction as follows:

<b>Project</b>	<b>Limits</b>	<b>Schedule</b>
North Shore Drive Reconstruction, Phase 1	Dyckman to Brockway	Fall 2016 – May 25, 2017
North Shore Drive Reconstruction, Phase 2	Brockway to Baseline	Fall 2017 – May 24, 2018
Black River Street Reconstruction	Dyckman to Wells	Fall 2016 – Summer 2018; road work limited to off season
Main Lift Station Consolidation	Dunkley from Dyckman to Black River Park	Fall 2016 – Summer 2018; road work limited to off season
Monroe Boulevard Reconstruction	South City Limits to Aylworth	Fall 2016 – June 28, 2017
Indian Grove Lift Station		Fall 2016 – June 28, 2017
Kalamazoo Street Reconstruction, Phase 4	Lovejoy to Aylworth	Fall 2016 – June 28, 2017

The engineering design for these projects is 95% complete and draft plans are being submitted for review at the Michigan Department of Environmental Quality on April 1. Funding for the projects will be via the State Revolving Fund for sewer improvements and via a conventional municipal bond for non-qualifying project elements. Projects will be bid in July.

In response to a question by Burr about Dunkley Street, Cook explained they will be coordinating this with main lift work. The main structure will be set, then the pipe and manhole brought in and continue working for the next 2 years. That will occur through winter 2016. Burr noted that the business owner there should be informed when you will be in the road which Cook verified would be October through the whole winter.

Cook noted the projects were accelerated because of the ability to do the North Shore project; the bidding environment is better than it has been; gas prices are down; contractors seem fairly available so we think this is the best approach.

Burr asked how much of Dunkley will have to be torn up in front of the condos. "Will you leave half the road open or will the whole road be impacted?" Cook said the pipe is too large for a directional bore; it is a 30 or 36 inch pipe installed at a depth of 8 feet deep, built in poor soils, so it is doubtful that we can leave any road surface. Cook noted they are still working on how to direct people through. Cook suggested Burr let him know if there is a way to work with their schedule. Burr said most residents leave by December and are gone most of the winter. Discussion ensued about everything being done in the middle of the road, pipe and water and sewer.

Henry asked about borrowing rates today which Cook stated for the State Revolving Fund is 30 years at 2.58% and will fund about half the project. Discussion ensued regarding current budgeting purpose figures. Burr asked how much we are going to bond which Cook thought will be between \$15,000,000 and \$17,000,000. Final estimates are still coming in. Burr asked about timing and Cook said the loan closes early in September for the State Revolving Fund and hope to close for the rest around the same date.

Cook noted diagrams are being developed for special assessment districts and noted that is up to City Council to decide so there will be discussion with City Council about how that is going to look. "We are starting to develop maps of the Black River Street area; 25% of water and sewer costs will be applied to the district and a portion will be based upon REUs. That applies to Black River Street, Indian Grove and North Shore Drive. Burr noted the shaded part of the drawing is Black River Street. Halberstadt explained that any property connected to Black River Street will be assessed 25% for the new sewer.

Cook said special assessment for sewer lines is one thing, but the main lift station work itself is of benefit to the whole populace so the rates would help fund that. Cook noted there may be some assessment related to anyone being reconnected to the new main. Burr asked, "We can assess for a reconnect?" to which Halberstadt responded yes. Burr noted that the pipe from the house to the sewer line in the middle of the street will be lengthened. Cook noted questions about details are valuable. Indian Grove does stretch into the township so some costs will have to be apportioned outside of the city.

Burr asked about the \$500,000 grant which Cook said is called a loan forgiveness and is part of the State Revolving Fund from the Department of Environmental Quality (DEQ). Cook noted there is a schedule for City Council for this whole project. Henry noted it's not an easy process.

**9. Board will be requested to approve the contract award for the Peterson Ravine Manhole Rehabilitation Project to Culy Contracting, Inc. of Winchester, Indiana in the amount of \$37,407.00.**

Chris Cook, Abonmarche. Explained this is part of the project plan created as part of the SAW grant. Henry noted those costs came in incredibly well. Cook agreed and noted this project is for manhole rehab in the ravine; some will be brought up out of the waterway and some sealed up. Others will have new lids installed to keep things tight. The budget was set

at \$61,000 and the Culy bid came in at \$37,000; Abonmarche looked into their references and everything came back good; they have crews who are extremely good at what they do and the efficiency gained is why Culy can bid it where they did. The other contractors who bid were Compton's, from here in South Haven and R&A Environmental Rehab out of Claire.

Cook stated this request would go to council but we need your blessing.

Motion by Henry, second by Winkel to approve the contract award for the Peterson Ravine Manhole Rehabilitation Project to Culy Contracting, Inc. of Winchester, Indiana in the amount of \$37,407.00.

All in favor. Motion carried.

## NEW BUSINESS

### **10. Board will be requested to review the Customer Deposit Policy.**

Amanda Morgan, Customer Service Manager. Explained that the same requirements are applied to all customers. The deposit is to cover bad credit and to ensure all accounts have deposits on file. Halberstadt noted that the state has mandated that there be no winter shut-offs.

Burr said the real problem with shut off for non-pay is that over half of the people who do not pay their accounts have been customers for one year or less. "I can't understand how you can shut off someone who has been a customer for 20 years who gets two late notices; no utility in the world does this."

Morgan explained that the shut off policy and the deposit policy are different and noted that there has to be a way to ensure the account is secure and explained the ways that can be done. Staff started reviewing all accounts because of the change in the shut off policy. Morgan said we put more stringent guidelines on shut offs; shortened the time that they can be late and stiffened what is required if they get shut-off.

Morgan explained that the utility policy requires customers to maintain good credit. "If they don't we can require a security deposit or increase their security deposit based on usage. In 2014 we started reviewing accounts and if customer didn't meet those guidelines, they were billed a deposit in full or a partial deposit based on what they had on file. We started sending out those letters a couple years ago just trying to get a grasp, because we have over 10,000 customers and the policy had not been enforced. This year we did a customer-wide review, sent out 600 letters and went out to three penalties so we wouldn't double the number of letters sent. The letters encouraged customers to contact our office to see if there was any way to waive that penalty. They could sign up for Automatic Bill Payment or Automatic Payment and Budget Plan As long as they contacted us and submitted all paperwork we waived the security deposit. If they didn't comply, the deposit was billed to their account. At that point, after it was billed to the account, there would not be an option of waiving the deposit.

Burr asked. "If I called in, you would waive the deposit? What did you do for Albemarle?" Morgan explained that they were given a six-month period, after they called, adding, "And

I'm reviewing their account every month." Burr said they are late twelve times, why would you shut them off? Morgan said they are consistently on the shut-off list but their payments come in before they are shut off.

Burr noted billing being part of the problem explaining that he did not get his bill on the first, when it was dated, but on the seventh. "By the time I got back (from vacation) I would have had 14 accounts that were delinquent. We aren't really clean because of the delay in getting the bill to the customer." Morgan explained that the bills are in the mail on that date; any lag is not due to us delaying the bills, but due to mail delivery. Rose noted it takes seven days to receive something in Covert that was mailed from Covert. Morgan added that if there is a problem with lag time we encourage them to sign up for auto bill pay.

Burr asked if they will request a deposit from Albemarle which Morgan answered, "Yes, and I have done that with other corporations. That is a requirement for all customers which is why we did this city-wide review."

Winkel asked if this is common in St. Joe and Morgan responded that she is not sure about St. Joe in particular but our policies are very similar to Dowagiac's; they are pretty stringent on their deposit requirements.

Henry said he doesn't recall this being a problem in other municipalities. Winkel said it used to be a policy that businesses have 30 days. "Now we have 21 days and a 7 (seven) day mail lag.

Burr said he has a problem with this policy. 1.) The policy says "may" and all of a sudden we do this after 10 years. 2.) "No other power or gas company I have ever worked for required a late payment for existing customers who are 10, 12, 20 year customers; to treat them like the ones who create bad debt is not logical. Utility companies have tried, in the last 20 years, getting out of the deposit business because it is too expensive to administer. They have switched to credit card payments, equal monthly payment plans, bank deductions and all that. They work with customers to avoid having deposits. Our deposits have gone from \$270,000 collected to over \$400,000. Is there a process to do that?"

Hochstedler said that is reviewed every month and credit card payment and payment over the phone are offered.

"And every customer," Morgan added, "was given the opportunity to sign up for the automatic payment to avoid that deposit."

Frank Clausen, 77156 Marwood Drive. Stated he has been a customer for 60 years. In that time utilities went from \$50 a month to what equals about \$60,000 ~~total a year~~. That his wife, who pays the bills, got a letter this week that the power was going to be shut off. His wife had some health issues; she has been late but never not paid a bill. "Some of them we paid that 3%, so now we get a bill saying to pay 3 (three) to 4 (four) months in advance and I just don't think it's right. You aren't going to lose any money on us; we're not going anywhere." Clausen would like to see that order rescinded.

Morgan explained the Clausens were offered the opportunity to sign up for automatic bill pay. In response to a question by Burr as to whether Clausen got a shut off notice Morgan

said, "No, just a reminder notice saying they should sign up, the first shut off notices will be generating April 8."

Clausen said, "If you shut that off my wife will die." Halberstadt attempted to ascertain whether Clausen's wife has a certified medical need but Clausen didn't understand the question or was unable to hear it. Burr told Clausen, "We can flag your account so it will not be shut off due to a medical situation." Morgan noted that she will need paperwork from Clausen.

Earl Kohlhoff, 06919 CR 687. Stated he saw the deposit due notice in his February bill which was due in March; he did not receive a notice. "If I'd received it I would have come down or called. My wife normally pays the bills, she is a nursing student; we both have a busy life. The late penalty would be one day, now extended to five, it is pretty easy to be a day or two late. Have been late twice and been issued one shut-off notice. I've lived here forever; as soon as I got the notice that I would be assessed, I started investigating. I'd be glad to sign up for auto bill pay or whatever I need to do to make this run smoother. My wife informed me it costs money to pay by phone or credit cards; our other bills don't charge us to pay them, so that's why we pay by check. I would gladly comply with the rules. My problem is I didn't receive a notice."

Burr said, "If you would sign up for the deduction so that would eliminate the need for the deposit. Morgan said he didn't contact us until after the deposit had been billed. "As our standard, once it is billed to the account, I would not waive his deposit."

Jenny Balliet, 06614 CR 687. Stated she received the notice and called and printed off the form for auto pay, then was hospitalized. "I don't have checks; I do automatic bill pay through your system." Balliet pointed out that the city made the choice not to accept electronic transfers and explained it takes 10 days out of my bank in Texas and by the time the city gets it, it is late. Stated she has had six late payments and called and said she wants to set up auto pay because she cannot call in. "I have left 3 (three) messages asking for assistance on the recording before I was billed. I never received a phone call back, When I took my bill in, with the deposit, even though I had the form printed out I had to buy checks and was told by the clerk that there wasn't time to deal with my problem, because it was the day before the election." Balliet stated that the letter she received only gave the first bit of your policy, it did not show #4 which is to bring in a good credit reference from another utility; that she printed off 22 pages of her credit report; that she has never made a late payment; the federal government sets 30 days as a late payment. Regarding her credit report, Balliet stated, "I have it out in my car; I grabbed the wrong folder. The same as you stated, I've been paying my bills for 15 years and to be treated the way I was when I came in, was . . . it made me angry. I think I should get my deposit back; I am a customer of the city, not just somebody who doesn't pay their bills. I received horrible customer service and this is a horrible policy. I was told that you were not choosing to honor something in the policy; you choose bits and parts."

Burr stated, "I don't think we are going to need your credit report." Burr commented that he has a real problem with the implementation of this and would like to see the city, if we are going to do the policy of two past dues generating a deposit, restrict it to customers of one year or less and not be bothering our typical customer base. This is not typical of utility policies across the board. It does say 'may' in the policy."

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Morgan asked if Burr is talking about existing services to which Burr responded that if customers of 1 (one) year or less suddenly go delinquent you can still cut them off. Morgan asked what about those who establish good credit, get their deposit back, and then quit paying their bill to which Burr responded, "Then don't do this at all."

Henry asked this be referred to the City Manager for his review and Burr pointed out that it was sent to this board by the City Manager.

Winkel asked how many months before a customer gets a shut off notice which Morgan said is typically about two weeks. After Winkel asked how many months before a customer gets shut off, Henry stated, "The policy is harsh and I think an adequate referral is to refer this back to the city manager for his review and modification. We've had clear discussion on areas that need improvement." Burr would rather see this policy eliminated, period.

Morgan said she would be happy to work on a new policy based on the input. Halberstadt would like to see some time to work on the policy. Burr stated this needs to be stopped right now. In response to a question, Morgan explained that staff billed 140 deposits; payments are applied to the outstanding bill first, then the deposit. Henry recommends that we stop action on this policy and forward our recommendations to the city manager for his review, after which it would come back to this board.

Burr explained that the city has the ability to put the write-off money onto the property tax bill: utility companies cannot do this. We have a backup plan so we don't need to go to this extreme before that time. Morgan noted that it is the security deposit policy that has helped us make sure property owners are not being held responsible; it is the utility company being held responsible. If customers have good credit, their deposit is refunded. For those who cannot, when their account is terminated, the security deposit is applied to the final bill. "We are getting less property owners being held responsible for accounts, whether it be the previous property owners or tenants. Winkel asked if a letter goes out to the property owners if someone isn't paying the bill, because the property owner is the one getting stuck with the bill. Morgan explained the property owner can choose to be notified but many do not choose to be notified.

Burr asked when the deposit is refunded to which Morgan responded, "After 12 months of good credit."

Discussion continued regarding the deposit policy, opening new accounts at a new address when they have late payments on a previous account. Morgan noted that page two of the policy states if the deposit is inadequate the customer may be required to make additional deposit and how customers are notified of the policies and that the existing policy was created in 2007, so many current customers may not be aware of it.

Burr referred to page 20 of the agenda packet and stated that is the part we want to get rid of. Halberstadt pointed out sub-paragraph three which Morgan noted refers to new accounts. Morgan added, "The part you are thinking of is the last sentence. (If at any time, the City deems any service deposit to be inadequate, in view of customer's credit history, the customer may be required to make additional deposits. Upon failure to do so, the City shall have the right to terminate service to such customer). Morgan stated that if a customer has been a customer for 15 years, and wants to open a new account, we still need that.

Burr stated that he does not want a customer to have to pay a deposit if they have 2 past-due notices. Morgan asked what Burr wants the cut off to be to which Burr responded, "On a new account you can demand a deposit. But you can't go back to a customer and require a deposit because of two late bills." Morgan thinks if the last paragraph is eliminated it would eliminate the problem.

Henry said if you are late you have to pay 3%, that's the penalty. Winkel asked whether the late fee is based on when the city gets the payment or when it's postmarked. Burr said that is for when the city receives it and Rose added the mail service is so slow.

Motion by Henry, second by Winkel to amend the utility policy to eliminate requiring security deposits of existing customers of more than one year's standing.

Morgan noted that there have been 440 customers billed for deposits, many which have been paid. Halberstadt asked if Burr wants to refund those who have paid and Burr stated they should be refunded. Morgan asked if refunds should be for just this year, the portion that was billed this year to which Burr responded yes. Morgan asked whether a credit to their account would be acceptable and how to handle outstanding bills to which Burr responded, "Apply a credit to the account, deduct current outstanding bills and issue a check."

Halberstadt asked whether the utility policy needs to be amended and Morgan said a resolution can be provided for council to make that amendment.

Burr called the vote.

All in favor Motion carried.

**10. Board will be requested to approve the sale of real property located at 13777 Blue Star Highway in South Haven Charter Township.**

Halberstadt said this is a parcel that used to be a city sub-station, just about where 76<sup>th</sup> comes into Blue Star Highway. Mr. Wiatrowski's son Nick would like to purchase the property next to his dad so he can build a house. We have a proposed purchase agreement. The sale price of \$8,000 would be credited as revenue to the electric fund.

Burr noted that while the city has no knowledge of contamination, it is hard to say what occurred in the early days, so the city needs to sell this without liability.

Halberstadt responded that the attorney said the clauses with the property being sold were "where is, as is" but does not know if that truly protects the city in case of liability. Henry asked whether there has been any Phase 1 inspection to which David Wiatrowski said a Phase 1 is generally a visual inspection. In response to a question about how the house will be constructed, Wiatrowski said his son plans to build on a monolithic slab on grade with public utilities. Halberstadt said the chance of any issues is pretty slim. Discussion ensued regarding liability. Hochstedler said the city attorney, Scott Smith from Dickinson Wright, reviewed the purchase agreement.

Motion by Winkel, second by Henry to approve the sale of real property located at 13777 Blue Star Highway in South Haven Charter Township.

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All in favor. Motion carried.

**11. City Engineer Comments**

No comment.

**12. Board Member Comments**

No comments.

**13. Adjourn**

Motion by Henry, second by Winkel to adjourn at 5:30 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom  
Recording Secretary