

# Board of Public Utilities

## Regular Meeting Minutes

Monday, April 27, 2015  
4:00 p.m., DPW Conference Room  
1199 8<sup>th</sup> Avenue



City of South Haven

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

### 2. Roll Call

Present: Burr, Henry, Overhiser (ex-officio) Roberts, Rose (ex-officio), Stein, (ex-officio), Stickland

Absent: Winkel

Also present: Wendy Hochstedler, Finance Director; Larry Halberstadt, City Engineer

### 3. Approval of Agenda

Motion by Henry, second by Roberts to approve the April 27, 2015 regular meeting agenda as presented.

All in favor. Motion carried.

### 4. Approval of Minutes for the Record – January 26, 2015 Regular Meeting Minutes March 30, 2015 Regular Meeting Minutes April 13, 2015 Special Meeting Minutes

Motion by Henry, second by Roberts to accept the following minutes for the record:

- January 26, 2015 Regular Meeting Minutes as written
- March 30, 2015 Regular Meeting Minutes as amended
- April 13, 2015 Special Meeting Minutes as revised

All in favor. Motion carried.

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

There were none.

## REPORTS

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

- A. 2015 Billings – All Charges
- B. 2014 Billings – All Charges

### **7. Financial Reports**

- A. Electric Fund – Financial Report for period ending December 31, 2014
- B. Electric Fund – Review of Percentage Billed
- C. Electric Fund – Capital Projects
- D. Water Fund – Financial Report for period ending December 31, 2014
- E. Water Fund – Review of Percentage Billed
- F. Sewer Fund – Financial Report for period ending December 31, 2014

Discussion ensued regarding bills being estimated for three (3) months.

Rose queried the motion made at the Special Meeting on April 13, 2015 which Halberstadt explained, noting that Covert customers probably would not be affected.

### **8. Unresolved Issues Report**

Huff updated the board on unresolved issues.

### **9. SAW Grant Project Progress Report**

- A. SAW Grant – Asset Management Plan Project Status Report

Chris Cook, P. E., President/Chief Executive Officer, Abonmarche: Updated the board on the scope of the project and recent developments, noting that a month or so ago, Abonmarche staff met with a rate consultant as part of the SAW grant study. Looking at rates and storm sewer costs. Will be meeting tomorrow with two vendors of asset management software and looking into managing the assets of the sewer system including the ability for software to be used in the field by staff. Noted that there is another year's worth of delving into this sizeable study.

### **10. Quarterly Outage Report**

Discussion referenced squirrel guards; failed devices and maintenance. Huff noted that the overall yearly tree incidents were lower than last year.

## NEW BUSINESS

### **11. Abonmarche will present an update of the Sewer System Study improvements funding.**

Huff noted that Abonmarche's report is on the S-2.

Chris Cook, Abonmarche: Explained that the first exhibit “shows the projects before us and takes us through an annual evaluation of each section; trying to find a way to fund that from cash flows of roughly one million dollars (\$1M) per year.” Cook explained that projects identified were infiltration and inflow or structural defects that warranted replacement. That process identified areas that need sewer work; streets which need additional storm drain and work and evaluated those costs. Cook noted significant needs at the wastewater plant from a study five (5) years ago. Cook: “This “pay-as-you-go” approach provides flexibility on what projects get done year by year, but doesn’t allow the necessary things to be done now when they are needed; maintenance deferred doesn’t get any better.” Cook noted that most of the work is localized in the central part of the city and that the main lift station was also identified in the waste water treatment plant report as well as in Abonmarche’s study. Headworks at the plant; screening and the Black River Street project that ties into main lift station; a six million dollar (\$6M) project moves down into mid-2020 in this plan. Cook noted that those needs will probably be here sooner than ten (10) years from now and might require loans or bonding.

Cook displayed a second exhibit which “would expedite the work and get to more critical items sooner.” Cook noted that the Dyckman Avenue street work is ongoing; ravine work and the next phase of Kalamazoo Street are the same in both options. Cook described this as about a thirteen million dollar (\$13M) price tag stretched over three (3) construction seasons and two (2) borrowings rather than waiting out ten (10) to twenty (20) years. This would be funded by a combination of State Revenue loan funds, which were always intended to be used, at two and a half percent (2.5%) for two (2) years. Costs for infrastructure and the waste water treatment would be funded by a United States Department of Agriculture (USDA) loan stretched over thirty (30) to forty (40) years at about four percent (4%) interest. Cook summed this up as a way to responsibly address all of the issues over the life span of the assets with not quite as big an infusion of cash as the pay-as-you-go.

Roberts asked what the annual commitment would be if the city went for a bond/loan which Cook responded to. The first plan, “pay-as-you-go,” was around one million dollars (\$1M) for the first six (6) years, then ramps up some in subsequent years, until 2016 which would be a six point two million dollar (\$6.2M) year for the waste water treatment plant, delaying some of the cost. Cook indicated that it is hard to give an exact dollar amount per year since the lion’s share will be done up front, then there would be the smaller three (3) construction seasons at about one point two million dollars (\$1.2M) per year with the worst year being one point six million dollars (\$1.6M).

Stein noted the cost estimates going out will increase and Cook confirmed that everything is based on today’s dollars. Stein pointed out there will be a cost savings realized by doing the work sooner rather than later.

Dan Dombos, P. E., Project Engineer/Abonmarche: “The waste water treatment plant’s needs were addressed in a study done five (5) years ago; the second scenario would put us back on track with the original study of the waste water treatment plant.”

Discussion ensued regarding the dollar amount staff will focus on; rate increases; special assessments and the July 1, 2015 deadline for Cook’s presentation of the S-2 plan to the Department of Environmental Quality (DEQ). Also discussed were the commitment made by

the city in accepting the grant; extensions that have been made; the risk of repaying the grant and the obligation made by the city by accepting the grant from the state.

Overhiser had questions regarding the proportion of how much of the funding will be rates and how much will be special assessments. Stickland explained that special assessments will vary based on who is served while rate increases will be for things that affect all customers. Halberstadt stated that historically the city has only assessed for twenty-five percent (25%) of costs for improvements which is divided amongst those connecting to that line, then the rates get spread over the customers. Discussion ensued regarding term length of the loans and assessments.

**12. Board will review draft budgets for the Electric, Water, and Sewer funds for the 2015 - 2016 fiscal year.**

Burr would like to see one million dollars (\$1M) set aside in the budget for capital improvement plans. Huff said we plan to do two (2) more phases of the Core City project and GRP has that contract. Hochstedler asked if that was in the 5-yr. plan. Huff said it was requested by the board when they were presented the five (5)-year plan but it was not included in the five (5)-year plan. Stickland would like to see that one million dollars (\$1M) being used constantly to maintain the electric system to keep our proud reliability reputation going. Hochstedler questioned whether Burr wants her to add that into the budget and Burr responded yes.

Hochstedler talked about the raise included in the Electric and noted that the PJM cost recovery is not in there; Hochstedler ran some numbers of what we would recover but that is not in the budget. Burr noted there may need to be a rate adjustment and at that time we plug in the PJ&M resolution. Hochstedler said a one percent (1%) increase in the Purchased Power line in the budget.

Motion by Henry, second by Roberts to recommend approval of the electric budget with the following changes:

1. Take out the two percent (2%) cost-of-living increase contingent on results of projected rates from I & M annual meeting
2. Increase capital outlay to one million dollars (\$1M)

All in favor. Motion carried.

Hochstedler reviewed the water fund noting that the capital portion includes Phase Three (3) of Kalamazoo Street; design engineering for Monroe Boulevard/Indian Grove Lift Station; Drinking Water System Radio Network Overhaul and several other capital improvements. Hochstedler noted, "The net reserves are current assets minus current liabilities so it's the working capital you have to use."

Motion by Roberts, second by Henry to approve the water fund as presented by staff.

All in favor. Motion carried.

Halberstadt reviewed the projects identified in the S-2 study to eliminate some infiltration behind the Wellness Center and other projects. Hochstedler noted the two percent (2%) is built in.

A discussion ensued regarding the use of two million dollars (\$2M) of operating reserves to pay off debt with Hochstedler noting that she is trying to recoup some of that little by little; debt service variations from year to year and the possible consolidation of Capital Outlays. Hochstedler and Halberstadt noted they will address these issues with the rate consultants.

Motion by Roberts, second by Henry to approve the sewer utility as presented.

All in favor. Motion carried.

Halberstadt reviewed the PJM Charges and how the rates are calculated.

**13. Board will review information concerning the Federal Clean Power Plan.**

After a question by Henry, Halberstadt responded that he does not know what the state's position will be. Henry noted that what the EPA is suggesting will be a significant impact. Burr relayed some information from a discussion he had with State Representative Aric Nesbitt.

**14. Public Works Director Comments**

A. Next Meeting is scheduled for May 18, 2015 (Moved forward one week due to Memorial Day on May 25)

**15. Board Member Comments**

Burr: No comment.

Henry: No comment.

Overhiser: No comment.

Rose: Aric Nesbitt will be keynote speaker at Covert's Memorial Day parade. The new switchyard at Covert Generating is a really active work site.

Roberts: Thanks to Halberstadt for the PJM presentation.

Stein: No comment.

Stickland: No comment.

**16. Adjourn**

Motion by Burr, second by Roberts at 6 p.m.

All in favor. Motion carried.

April 27, 2015  
Board of Public Utilities  
Minutes

RESPECTFULLY SUBMITTED,

Marsha Ransom  
Recording Secretary