

Board of Public Utilities

Regular Meeting Minutes

Monday, November 30, 2015
4:00 p.m., DPW Conference Room
1199 8th 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) 4:29 p.m., Stein (ex-officio), Winkel, Stickland

Absent: None

3. Approval of Agenda

Motion by Roberts, second by Burr to approve the November 30, 2015 Regular Meeting Agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes for the Record – October 26, 2015 Regular Meeting Minutes

Motion by Henry, second by Winkel to approve the October 26, 2015 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. 2015 Billings – All Charges
- B. 2014 Billings – All Charges

Discussion on PJM adjustments ensued. Halberstadt clarified that PJM is adjusted annually based on a demand reading and stays virtually the same throughout the year.

7. Financial Reports

A. About Cashflow Statements

Hochstedler explained the new document on Cashflow Statements; pointed out the statement on page fourteen (14) of the Agenda packet which she prepared for the auditors. This document assigns project names to purchases. Hochstedler noted a comment that was made at the last meeting regarding half a million dollars and noted that Core City accounts for where the money went.

Stickland said the question at the previous meeting was the difference in working capital as compared to previous years. Roberts said the chart on page thirteen (13) answers the question he had and thanked whoever did this as it makes many things much clearer. Discussion ensued regarding expenditures that were not anticipated in the same year which ended up being in the same year and a transformer was purchased later than expected and everything hit to be paid in 2015.

B. Review of Electric Fund Balance Sheet; FY 2012 through FY 2015

C. Electric Fund – Financial Statement

D. Electric Fund – Cashflow Statement

E. Electric Fund – Review of Percentage Billed

Hochstedler pointed out on page twenty-one (21) in the Adopted Budget column and explained how she based these figures. There were various changes in the components that made up the electric sales amount; in that total was adjustment for PJM costs, over and above the five hundred thousand dollars (\$500,000) we are absorbing into the system. Hochstedler is taking out 1/12th of that five hundred thousand dollars (\$500,000) monthly because we are going to eat that in the current rates. Seven hundred forty-two thousand (\$742,000) is based on last year's twelve-month average recovery rate and there were other line items that needed to be adjusted down by three hundred thirty-eight thousand (\$338,000) so the overall net increase in revenues went up by four hundred three thousand dollars (\$403,000) and the purchased power, for last fiscal year was ten million thirty-thousand dollars (\$10,030,000), so she increased the budget by three hundred thousand dollars (\$300,000) to be sure we are in the same ball park. The last column then shows the net increase which will be added is one hundred three thousand dollars (\$103,000). Hochstedler said she understands the goal is to increase it by three hundred thousand dollars (\$300,000) per year to be used for capital expenditures. Hochstedler also noted one final adjustment to implement some kind of reporting requirement that has to do with net pension liability, which reduced the reserves to two million five-hundred fifty-five thousand (\$2,555,000). The projected for June 30, 2016 was based on that amended budget Hochstedler just spoke about; based on projections the reserves should be able to be increased by nine hundred fifty-one thousand dollars (\$951,000). The three million four hundred six thousand dollars (\$3,406,000) is versus where we were in June 2015. This is close to the one million dollar (\$1,000,000) increase so Hochstedler pointed that out that she does not believe there is a need for rate increases.

Burr said we are only doing one hundred sixty thousand dollars (\$160,000) on capital; if we want to spend the six hundred forty thousand dollars (\$640,000) with the depreciation level.

Hochstedler said she is going with what was in the budget because she doesn't have, on the radar, five to six hundred thousand dollars (\$500,000 to \$600,000) for capital.

Stickland said he thought the goal was one million dollars (\$1,000,000) if we did not have any capital projects. Discussion ensued regarding how to get to that figure. Burr said we still have to update the five (5) year plan and decide when we are doing the next phase of the core project.

Halberstadt updated the board that Phase Three (3) design is almost complete, and it is thought that the Phase 3 area is a bit larger than the Phase 1 and 2 areas, so he anticipates Phase 3 costing more than Phase 1 and 2, which were about one million dollars (\$1,000,000) each. Halberstadt will contact GRP and see how close they are to an estimate. Hochstedler said we will need those figures in budget, for next budget year, so we can start planning for the 2017 budget. Halberstadt noted that we have always planned not to do the core projects in the summer.

Discussion ensued regarding the estimates and actual for the core projects, which Halberstadt noted did not include tree trimming, engineering, etc. Hochstedler explained that the pension costs are now required to be reported. In the overall scheme of things those are the ones that actually report their liability on their balance sheets. The conclusion is that the number will change according to the market. Henry explained that Governmental Accounting Standards Board (GASB) has determined that real cost for pension must be included; it has not been reported in previous years. Cities and counties have received actuarial reports but never had to show it on their liability statements. Roberts noted this shows that it is funded.

Roberts questioned "customer deposits payable" and Hochstedler noted that we are requiring more deposits up front and when final bills are calculated, we apply some to their final bill and refund the rest. Burr explained that we have to give it back to the customer or to the state.

Burr asked about Retained Earnings; Hochstedler said that is a portion of that GASBY limitation. It looks like it was prior year expense that is included in that five hundred thirty-three thousand dollars (\$533,000) liability.

Discussion ensued about the market value adjustments; keep rates the same and pass on the entirety of the PJM to the customer.

Stickland requested that Hochstedler put together a review of the 5-year plan for the next meeting in January.

- F. Water Fund – Financial Statement**
- G. Water Fund – Cashflow Statement**
- H. Water Fund – Review of Percentage Billed**
- I. Sewer Fund – Financial Statement**
- J. Sewer Fund – Cashflow Statement**

Roberts asked about the sewer project and whether we are just marching on. Burr said we are looking at a bond two (2) years down the road. Hochstedler said we are talking about starting next fall on Monroe Boulevard and the Indian Grove lift station. Discussion ensued about what is covered by reserves, which Halberstadt noted applies to things that are

already under design. Halberstadt said the SAW grant is allowing them to do the design on all these projects, now that the design is done on some projects, the SRF is there and some traditional bonding.

Rose asked what is covered by the SAW grant which Halberstadt said is just design and the SRF provides funding for other aspects.

Burr requested an update at the end of January on the bonding.

8. Energy Optimization Update

- A. 2016 Biennial Plan Filing
- B. MECA – Letter Agreement for Administrative Services

Halberstadt noted that the Jayco Appliance Recycling company that was doing everyone's appliance recycling recently filed Chapter 7 and disappeared.

Burr stated that he and Dissette met with a provider and hired them and we are in compliance with Michigan Public Service Commission (MPSC). Discussion ensued regarding an escape clause.

NEW BUSINESS

9. Board will be requested to approve a modification to the Residential Equivalent Unit (REU) schedule used to calculate availability fees.

Burr noted the large houses would have to pay .25 of an REU for every bedroom over four (4) and when a house is torn down and there is an existing service, there will also be a .25 of an REU for each bedroom over four (4). Discussion ensued about requiring more parking spaces for every bedroom above four (4).

Henry believes it is a good idea. Discussion ensued regarding how to count a bunkhouse. Stickland thought it was written up per toilet. Halberstadt does not want to add toilets to the REU schedule because it has never been in there. Henry said if this is the document that is going to drive the train, there needs to be specificity of what a bedroom is, or what a toilet is. Roberts suggested a fixture count, as opposed to toilets. Henry noted that there are people in the community who are upset, and do they have reason to be upset? Discussion ensued that the capacity has to be there to meet the peak. Halberstadt said it has always been up to the person to decide what size tap they need. But with these bigger structures they need to be considering a larger tap size.

Stein questioned page 117 of the REU document. Noted the McMansions will be sending more sewage down the pipes; Halberstadt agreed that will start determining lift station size, among other things. Discussion ensued about special assessments which Halberstadt noted was figured on the same REU schedule. Stickland asked about the house being built that exceeds the system, whether the owners/developers would have to pay the cost of the upgrade.

Henry said he thinks this is change in the REU schedule is a good idea but needs more specificity. Roberts suggested defining a sleeping area as accommodating two persons.

Stein noted there will be various rooms that will not be defined as bedrooms. Halberstadt added, "Dens, offices, lounges." Discussion ensued regarding water usage and connection fees. What creates the demand that we need to use to design the system?

Burr stated that he would like to start with bedrooms. Halberstadt suggested starting with this, perhaps adding a definition of bedroom. Henry said if you think the people that are upset in our community and this will help alleviate that, then this should be refined and defined. Stickland said everyone agrees but how do you define it, make is simple, workable and fair. Winkel said somehow we need to do the infrastructure. Stein recommended going in with blinders open because you know you are going to get . . . Halberstadt interjected "creative architecture." Roberts said the REU is used to plan capacity.

Discussion ensued regarding the difference between Bed & Breakfasts and rental properties. Stickland explained why we have what we have. Burr said the Internal Revenue Service (IRS) lets you rent your house for twelve nights and then you have to declare the income for anything over that. Burr also noted that some of these people have gotten caught claiming homestead on second properties; the county is working on picking up the money.

Motion by Henry, second by Winkel approve a recommendation to City Council to amending the Residential Equivalent Unit (REU) schedule used to calculate availability fees for new water and sewer services based on the greater of the number of bedroom and/or bathroom in excess of four (4).

All in favor. Motion carried.

Winkel said somebody was talking about the building of a big house and asked who is going to pay for the upgrade of the sewer. Stickland said we do not have a policy that requires a resident to pay for upgrades. Stein mentioned whether the building code has to have sprinkling. Discussion ensued regarding what happens if two ten (10) bedroom houses come in and the sewer cannot handle it. Henry asked about a hotel and how they are assessed. Discussion ensued that it is 0.4 REU per room plus restaurant and bar per the schedule.

10. Board will be requested to establish a schedule for Regular Meeting Dates for the 2016 Calendar Year.

All are the last Monday except May 23, which was moved due to the Memorial Day holiday.

Motion by Winkel, second by Henry to accept the meeting calendar for the 2016 calendar year.

11. City Engineer Comments

There is no regular meeting scheduled for December. A special meeting may be called if requested.

Halberstadt gave an update on Huff's medical condition.

12. Board Member Comments

Regarding taxes Henry said we are in Supreme Court; the petitioner had until mid-December and have asked for an extension. Then we wait to see if the Supreme Court will hear it.

13. Adjourn

Motion by Burr, second by Roberts to adjourn at 5:50 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary