

FIFE LAKE AREA UTILITY AUTHORITY (FLAUA)

Regular Meeting

AMENDED MINUTES - APPROVED

**Wednesday, January 24, 2024, 6:00 p.m. 231-879-3565
Fife Lake Township Hall, 134 Morgan Street, Fife Lake, MI 49633**

CALL TO ORDER:

President Tom Gray called the meeting to order at 6:02 p.m.

ROLL CALL: President Tom Gray called Roll.

Present:

President Tom Gray, Vice President Marilyn Hayes, Treasurer Jodi Thayer and Commissioners Tom Hempsted, Shane Lewis and Sandi Howell. A quorum was established.

Absent: None.

Newly appointed Commissioner Shane Lewis, representing Fife Lake Township was introduced. His term is 2024-2027.

Others in Attendance:

Ray Ravary, Compliance Officer
Ms. Kay Held, Recording Secretary

APPROVAL OF AGENDA:

Adopt Budget – change to “Adopt Final Amended 2023 Budget,” not “Adopt 2024 Budget.”
Add “Acknowledge Appointment of Mr. Shane Lewis” to New Business.

Board Action:

Ms. Hayes made a motion to approve the Agenda as amended. Mr. Hempsted seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

ACCEPTANCE OF MINUTES:

Acceptance of Regular Meeting Minutes of December 20, 2023:

Board Action:

Ms. Hayes made a motion to accept the Minutes of the December 20, 2023, Regular Meeting as presented. Ms. Howell seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

TREASURER’S REPORT:

Treasurer’s Report – Financial Report of December, 2023, and Payment of Bills:

The December, 2023, Treasurer’s Report was distributed in advance of the meeting for Board review. A revised A/P was distributed. Treasurer Thayer also reported:

The budget YTD twelve months into the year should be at 100%.

Gross Income is at 105.49% YTD.

Total Expenses are at 92.56% YTD.

Treasurer Thayer referenced Budget to Actuals and those accounts which are higher yet still under budget. She will consult with H&R Block’s Emily Escajeda to clarify some amounts unknowingly posted to incorrect line items. Compliance

Officer Ravary will notate specific accounts on invoices when possible as he submits them; i.e., Equipment Maintenance vs. General Operating costs.

President Gray reiterated the USDA bond principal and interest payments are not accurately represented in the accounting system because it is a long-term liability. Subsequently, a Modified P&L is presented bi-annually to reflect \$139,025 in principal and interest payments (June 1 Principal payment and December 1 Principal plus Interest payment). This is regularly addressed throughout the year.

Board Action:

Mr. Hempsted made a motion to accept the Financial Report as presented. Ms. Hayes seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Payment of Bills: December, 2023, Bills Payable:

There was Board discussion regarding Bills Payable.

There was a question on a Prime Video Channel debit fee of \$11.99. Treasurer Thayer will investigate this and dispute if appropriate.

It was clarified the AT&T invoice is for cell service; internet service is now through Spectrum. Treasurer Thayer confirmed the AT&T invoice is higher due to a past-due balance and adjustment for installment plan due to the replacement of the destroyed Compliance Officer cell phone and purchase of ear buds to enable hands-free driving.

Board Action:

Mr. Hempsted made a motion to approve the Bills Payable as presented. Ms. Howell seconded the motion.

ROLL CALL VOTE:

Howell-Y, Hayes-Y, Thayer-Y, Lewis-Y, Gray-Y, Hempsted-Y. Motion carried.

GUESTS: None.

COMMITTEE REPORTS:

Personnel Committee: No meeting. No report.

Steering and Operations Committee: No meeting. No report.

Compliance Officer/FVOP Report: The Compliance Officer Report was distributed in advance of the meeting. Mr. Ravary discussed the following:

Part-time employee Mr. Terry Terbeek may be leaving FLAUA; Mr. Ravary will need to replace him in the spring. He is caught up on PMs.

The exterior Ferric Chloride line has frozen; he has heat tape and light on the pipe. He has rebuilt one pump and has ordered bushings from USA BlueBook (at \$198 each). The generator has been running all week, and there has been a phase issue. He has spoken with Jay Norris as well as Great Lakes Energy. This is an example of why full physical rounds are made.

He took the laptop in for repair; however, due to its 12-year age and obsolescence, it is not worth repairing. He got a quote for a refurbished laptop for \$425. While this is within his spending authority, he wanted the Board to be aware of the situation. There was Board consensus to purchase the replacement laptop.

Regarding the cabin on Boyd Street, the current owner purchased this in 2016 on a tax lien. The former owner paid to have a tap put in at the street for future tie-in but never hooked up. At the time, F&V was doing their studies and because there was a structure there, it was added to the billing. It is not tied-in, there are no indoor facilities and no one has lived there. The current owner paid past due and monthly service fees. He is renovating and would like the tie-in fee waived as he has been paying for service all this time.

There was Board discussion regarding why the current owner has paid for service he has not had. Treasurer Thayer will review with H&R Block to get an accounting, verify fees paid and assess the tie-in fee amount. She will present an accounting of this for the Board to determine whether credits will be made.

Mr. Ravary reported a \$500 expense for truck service for several maintenance items.

Triple Point provided a quote of \$3,940 for the MARS units (aerators) as they have exceeded their life expectancy, and they are in very poor condition. There is a several month lead time to receive them. Mr. Ravary previously purchased parts (approximately \$1,600) for one unit and would like to order the remaining three. New silicon units should last twice as long.

Board Action:

Ms. Thayer made a motion to approve the purchase of parts to rebuild three MARS units up to a cost of \$4,000. Mr. Hempsted seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Mr. Ravary has received the data for the recent rate survey from Ms. Amanda White of the Michigan Rural Water Works. He will forward it to Treasurer Thayer.

Mr. Barry Christian of the DEQ cannot locate our historical hydrology data documents; however, they clearly existed as the Federal government would have required the information. Ms. Thayer will review data from the old FLAUA hard drive.

CITIZEN COMMENT:

Mr. Kevin DeYoung, 11932 Lakeshore Drive, Fife Lake, MI 49633:

Mr. DeYoung inquired about the recent FLAUA rate increase. Treasurer Thayer, President Gray and Compliance Officer Ravary provided an overview of a comprehensive rate study by the Michigan Rural Water Association.

The total cost of the system rebuild in 2016 was \$7.2 million; half received in grant and half in loan monies. Annual USDA bond Principal (\$64k) and Interest (\$73k) payments are required; funds are set aside monthly in restricted accounts. If these payments are not met, the State would take over and assess rate increases as has happened in Cadillac on Lake Mitchell. Their fees went from \$55/quarter to \$120/month over three years' time. The FLAUA does not want to see this happen; however, a significant increase was necessary. The increase effective January, 2024, went from \$55/month to \$70/month with an anticipated annual 4% Cost of Living (COLA) assessment.

Rates have not been increased since the system renovation in 2016. Nor have annual COLA increases been applied during this time. There has been a 28% increase in expenses just in the last three years.

The life of the loan is 40 years; however, equipment lifespan is not. Capital improvement planning is also required. A new pond liner will be required by the DEQ in the next 3-7 years. Its cost was last estimated at \$7 million with a \$750k FLAUA required contribution. The FLAUA will be pursuing grant opportunities for cost sharing but must set aside funds annually to plan for this.

Ms. Thayer provided additional detail on improvement and repair fund balances as well as operational expenses incurred. As an example, the purchase of a new \$30k pump was necessary last month. FLAUA meets fiscal year-end reporting requirements and participates in an annual USDA required audit.

The Compliance Officer performs numerous repairs himself to reduce expenses. A Preventive Maintenance schedule is adhered to in order to maximize operational efficiency and maintain costs.

Mr. DeYoung indicated he opposed the proposed RV Park at the last Village meeting and inquired whether the sewer system would be able to manage the increased volume. The Board responded the system could manage this on a seasonal basis. Annual REU user fees would be a positive addition to FLAUA revenue.

Treasurer Thayer directed Mr. DeYoung to the FLAUA website to review monthly minutes to remain abreast of sewer authority functions. Compliance Officer Ravary also invited Mr. DeYoung to visit the plant to see the operation and attend FLAUA Open Meetings any time.

Mr. DeYoung expressed appreciation for the Board's time and information.

NEW BUSINESS:

Adopt Final Amended 2023 Budget:

The Amended 2023 Budget was distributed to Board Members. Treasurer Thayer reviewed proposed adjustments with the Board. To balance the budget, the following line item adjustments were proposed, with explanations:

Insurance to \$16,000
Office Supplies to \$1,000
Accounting Fees to \$5,650
Engineering Fees to \$350
Cell Phone to \$2,100
Internet to \$1,100
Trash Removal to \$375
Contract Services to \$31,500
Equipment Repair/Maintenance to \$4,200
Fuel for Equipment to \$3,750
Licenses and Permits to \$3,650
Operating Supplies to \$38,500
Payroll Expenses-Operating to \$7,600
Wages – Operating to \$84,000
Testing Fees to \$5,500
Truck Repair to \$2,700
Electric to \$35,000
Natural Gas to \$2,400
QuickBooks Payment Fees to \$5,250
Uncategorized Expenses to \$4,475

These adjustments will bring the Amended 2023 Budget at or below 100% of budget in all categories.

There was Board discussion regarding existing and balanced budget line items.

Board Action:

Ms. Hayes made a motion to adopt the FLAUA Final Amended 2023 Budget as presented. Mr. Hempsted seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Election of Officers:

Board Action:

President:

Mr. Hempsted made a motion to nominate Mr. Tom Gray as President of FLAUA. There were no other nominations. Mr. Gray accepted the nomination.

Ms. Hayes seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Vice President:

Board Action:

Mr. Gray made a motion to nominate Ms. Marilyn Hayes as Vice President of FLAUA. There were no other nominations. Ms. Hayes accepted the nomination.

Mr. Gray seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Treasurer:

Board Action:

Ms. Hayes made a motion to nominate Ms. Jodi Thayer as Treasurer of FLAUA. There were no other nominations. Ms. Thayer accepted the nomination.

Mr. Hempsted seconded the motion.

VOTE: YEAS: All. NAYES: None. Motion carried.

Secretary:

There were no nominations for Secretary; this was postponed until the February meeting.

Compliance Officer Ravary stated he attended a Show Cause Hearing today at the Treasurer's office for the 10944 Vans Lane property. The owner did not attend. There will be another Show Cause Hearing at Circuit Court next month; he will also attend that.

Review Board Member Terms and Contacts:

The list of Board Member terms and contact information was updated as well as the constituent municipalities contact list. A final copy will be distributed next month.

Insurance Contract Review:

The MUM insurance contract proposal and annual premium invoice have not yet been received. This Agenda item was postponed to next month.

EGLE Invoice:

N/A – this invoice has been paid.

Modified P&L:

Treasurer Thayer distributed the bi-annual Modified P&L Statement to the Board. This is distributed and reviewed in anticipation of required USDA Bond Principal and Interest payments in ongoing efforts to provide accuracy and transparency. Without it, the monthly P&L Statement can be misleading. This can also be deceiving as our annual Audit shows the Interest; however, does not show the Principal. There is, however, a long-term debt page in the Audit outlining this information.

This statement is for tracking the long-term debt USDA Principal payment and how it affects the bottom line. As previously discussed, the monthly P&L does not account for our Bond Principal payment. It does, however, show Interest payments. FLAUA is required to make an "Interest Only" payment and an "Interest plus Principal" payment each year.

There are restricted funds that FLAUA is required to put into three special accounts to ensure Interest and Principal funds are in place. These restricted funds are not accessible and equate to approximately 60% of income. Those accounts are:

- Bond Reserve Account
- USDA First Lien Redemption Account
- RRI (Repair Replace & Improvement)

Acknowledgement of Appointment of Mr. Shane Lewis

The Board acknowledged the appointment of Mr. Shane Lewis by the Fife Lake Township to the Fife Lake Area Utility Authority Board. He is representing Fife Lake. His term runs 2024-2027.

OLD BUSINESS: None.

COMMUNICATIONS:

Treasurer Thayer reported FLAUA has received the request for the annual fiscal year-end reporting requirements by the USDA. She and Compliance Officer Ravary are working on this to submit by the end of the month.

CITIZEN COMMENT: None.

ORGANIZATIONAL CALENDAR:

Each item on the Organizational Calendar for this month was reviewed and discussed.

OUTSTANDING TASK LIST:

The Outstanding Task List was reviewed. New items were added for individual or Board follow-up.

BOARD COMMENT:

The Board discussed the potential of changing meeting locations due to a Fire Department request. The Village cannot accommodate FLAUA on its regular schedule. There is the possibility of availability at Springfield Township.

Newly appointed Commissioner Shane Lewis commented he is here to help in any way. He reviewed Section 3.4: "Connection to public sewer required if available" from the Rules & Regulations; he inquired whether this applies to the Boyd Street cabin situation so that things are done properly. He also referenced the bait shop which is now an Air BNB and wonders if any rate adjustments need/have to be made. Compliance Officer Ravary will contact Assessor Jessica Marvin to check on the status of REU billings.

Mr. Lewis remarked he is happy to help in reviewing current REUs of system users to ensure accurate assessments and billing.

ADJOURNMENT:

Board Action:

Mr. Hempsted made a motion to adjourn the meeting. Ms. Howell seconded the motion.

VOTE: YEAS: All. NAYES: None.

The meeting adjourned at 7:52 p.m.

Submitted by: Kay Z. Held, Recording Secretary