

FIFE LAKE AREA UTILITY AUTHORITY (FLAUA)

SPECIAL MEETING

Tri-Municipal Meeting

MINUTES

Tuesday, November 25, 2014, 3:30 p.m.

Fife Lake Village Hall, 616 East Bates Street, Fife Lake, MI 49633

CALL TO ORDER: FLAUA President William Fisk called the meeting to order at 3:30 p.m. Prior to Roll Call, he extended his thanks to the three municipal constituents for their attendance in this meeting; Fife Lake Township, Village of Fife Lake, and Springfield Township.

He also thanked and acknowledged the attendance of:

Mr. Roger Swets, Bond and General Counsel from Dickinson Wright, PLLC, Grand Rapids, MI

Mr. Tom Grier, Municipal Legal Counsel from Running, Wise & Ford, PLC, Traverse City, MI

Messrs. Ben Kladder and John DeVol from Fleis & VandenBrink Engineering (F&V), Traverse City, MI

Mr. Fisk gave a brief overview of each professional's backgrounds and areas of expertise, particularly as they relate to the multiple aspects of our redevelopment project. He stated our system is currently not in compliance with DEQ requirements, and we must go forward to safeguard the lake and maintain the system. We were granted a near unprecedented 44% of a possible 55% of available funding from the USDA.

ROLL CALL: President William Fisk called Roll.

Present:

William Fisk-President, Lori Ann Rognlie-Secretary, Tom Gray-Treasurer, and Commissioners: Ron Broering, and Lisa Leedy. Mrs. Linda Forwerck, Fife Lake Township Supervisor attended on behalf of Commissioner Brandon Gwizdala.

Absent:

Ricky Hulwick (prior commitment), Jodi Velez (work commitment), Terry Street (called away by a last minute emergency), Brandon Gwizdala (unavailable).

Others in Attendance:

In addition to those noted above in the meeting introduction, also present were Mr. Joe Burfield, Relief Operator, Ms. Joanne Ogur-Fife Lake Township, Ms. Tawni Deike-Fife Lake Village, Members of the Public.

APPROVAL OF AGENDA:

Board Action:

Mr. Broering motioned to approve the Agenda. Ms. Rognlie seconded the motion. Vote: YEAS: All. NAYES: None. Motion Carried.

PRESENTATION – Legalities of the Sewer System Improvements

INTRODUCTION

Mr. John DeVol, Fleis & VandenBrink Engineering, Traverse City, MI:

Mr. DeVol began the panel presentation acknowledging the needs of the system are great and that we received the largest USDA funding package the Traverse City service center has ever worked with. He provided a detailed handout, highlighting several areas related to the project. He also referred to a large map detailing the system.

The system is antiquated; many replacement parts are not available. Several A and B lift stations will be replaced or renovated. Underground structural steel is degraded. Wet wells will be upgraded. Controls below grade will be relocated to minimize confined space entry for service. Several force mains will be replaced with larger mains to avoid wintertime

freezing. Treatment plant lagoons and liners are failing. Replacement systems will result in greater productivity and energy efficiency.

All systems will be tied into a single state of communication (SCADA system) for improvement in monitoring and responding to alarms. Maintenance of the renovated system will be more efficient and cost effective. All improvements will result in compliance and allow for DEQ reporting.

There will be expansion and renovation of the equipment storage area. Other needs have been identified in the event of contingency fund availability and are outlined in the project summary.

The financing package from the USDA is a \$3,655,000, 40-year term loan at 3.25% interest and \$2,857,000 grant.

Ms. Joanne Ogur of Fife Lake Township asked Mr. DeVol the life span of suggested improvements. He responded in general pumps and motors are a 10-15 year span; there are repair funds built into the budget for shorter life items.

Mr. Roger Swets, Dickinson Wright PLLC, Grand Rapids, MI

Mr. Swets provided an overview of his specialty working with municipalities and rural authorities to finance public improvements. He discussed Public Act 233 and bonds as they relate to the Authority in financing these projects. Our Act 233 Authority is set up through a contract with different municipalities and governed by a Board, with collaborative efforts.

Often, the Authority can be a "conduit," or pass-through body that does not have the ultimate responsibility for paying for the debt of the system the Authority finances, particularly through bonds as related to financing capital projects. This is achieved via contracts proposed between the Authority and Constituent Municipalities with municipalities responsible for the debt.

In the past; however, not applicable today, the municipalities pledged their Full Faith and Credit on the outstanding bond issue from years ago (i.e., contract bonds).

What is commonplace today is for the Authority to own, operate, and be responsible for payment of the debt and to provide service to residents. Rather than Contract Bonds, Revenue Bonds are pledged and paid through rates and charges of the users. This puts the general fund at less exposure as in the older arrangement.

Additionally, due to the size and magnitude of this project, Revenue Bonds are most appropriate. Revenue Bonds are exempt from debt limits, which are established from a percent of SEV, especially in rural communities, and make better economic sense. Revenue Bonds would not affect interest rates because of the rural development component. Doing otherwise would exceed the debt limits of the community. Rural Development is accustomed to doing Revenue Bonds in rural communities in Michigan.

Legal documents at the Authority Level include the adoption of a "Notice of Intent Resolution." It advises the public of the bond issue, outlines the maximum amount of bonds that can be issued, terms, and purpose. This Resolution starts a 45-day period in which registered electors can petition an election on the bond issue. The result of a petition would be severe and likely put a permanent halt to the project. If there are no objections after the 45-day period, the project advances forward.

After construction bids are procured, the Bond Resolution is to be adopted by the Authority to set terms and conditions. A contract would be required between the FLAUA and the Constituent Municipalities to agree to the Revenue Bonds.

As result, rates need to be set by "Rules & Regulations" (similar to Sewer Use Ordinances). Rate levying authority comes out of Rules & Regulations and must be ratified by each municipal community and the Authority.

Safeguards of the Revenue Bonds are that they are repaid by revenues from the system, by law the funds can only be used to operate and maintain the system, and the Authority is working with a Registered Municipal Advisor (Mr. Tom Traciak) who specializes in rate setting and uses a professional rate analysis approach for how rates are set (short and long-term).

An added benefit to the Rules & Regulations approach is that federal and state entities then have a single body to work with and for compliance with DEQ. This also provides for a centralized response for enforcement issues. The Rules & Regulations are particularly important to have in place in the event of environmental violations.

In order to ensure Revenue Bond payments can be made, strong management must be in place as the rates and charges are the sources for repayment. Two reserve funds must be in place:

1. Bond Debt Service Reserve. This is a Rural Development requirement and is a restricted fund, comprised of one year's worth of bond payments, built up typically over 10 years' time.
2. Repair, Replacement, and Improvement Fund. This is for short term, intermediate needs, requiring the organization to budget for annual repair, and replacement needs (not catastrophic issues). Rural Development will monitor that these funds are put aside annually and will monitor audit information.

The 40-year timeframe of the Bond allows a rural community to finance a project over a longer period of time. The longer the debt however, the more the interest paid out, but the lower the annual payment. Mr. Traciak will be providing more information on this matter. It will be the same interest rate regardless of the life of the loan. We are also allowed to pre-pay bond monies. Mr. DeVol noted that Mr. Blake Smith of USDA commented the average repayment life is 30 years on a 40-year bond to due pre-payments.

Commissioner Broering inquired whether it is one bond or multiple bonds and who the electors are. Mr. Swets replied one bond and electors are anyone registered to vote in the three governmental units.

Mr. Tom Grier, Running, Wise, & Ford (RWF), Traverse City, MI:

Mr. Grier referenced his work with local municipalities and working with the USDA on a local level. He specifically noted the following:

- 1) The FLAUA needs to determine we have full legal title in the service area. USDA requires a Right of Way Certification Map (he referred to display). This map will ultimately show all pipes, lift stations, treatment facility, etc.
- 2) We will also need to demonstrate full ownership of lift stations. Our engineers and contracted title company will assist in ensuring we have the title and right-of-way to these systems as well as review deeds, plat maps, and title searches. We may also require private easements. The USDA requires proof of this.
- 3) RWF will review contracts for construction bids and other contracts. They assist in creating Rules & Regulations, which the Authority will administer. Townships and Villages will have to approve the Rules & Regulations.
- 4) RWF will assist with modifying the Articles of Incorporation and Municipal Resolution, which is currently underway.

FLAUA / MUNICIPAL BOARD MEMBER COMMENTS – Q&A

Mr. Gray clarified with Mr. Swets whether USDA would own the one bond, as our original bond was owned by Farm Home/GMAC. He replied USDA ownership with a remote possibility that they could choose to sell the bond in the future.

Mrs. Linda Forwerck asked Mr. Swets about the approval of rate increases, if this is done by Resolution, by each unit, and if it is mandated. She also inquired of the ramifications if one unit of government does not approve the rate increase and the sole responsibility becoming that of the FLAUA. He replied it is not mandated to do the project; however, the Rules & Regulations must be adopted. The method for rate approval will be in the Rules & Regulations. Ultimately, the rates will be set to repay the bonds by the State or a receiver if not by the local Authority.

President Fisk stated if one unit does not approve, the project stops and large fines will be incurred for non-compliance.

Commissioner Broering inquired about the role of each group or professional and how he or she ties together. Mr. DeVol referenced Mr. Blake Smith, USDA, and his role in collaborating with all of the professionals; i.e., legal, federal, state, local, engineering, and our organization.

Treasurer Gray inquired about the maintenance of the SCADA system. Mr. DeVol replied it is a no-cost, no-license radio system. Many communities utilize this product with great effectiveness.

Ms. Tawni Deike, Fife Lake Village, expressed concern about the technology of this radio system and how quickly it could go out of date. Mr. DeVol reiterated the quality of the system and his experience with it. She also asked about the bond payments and if they will be regulated and the same through the life of the bond. Mr. Swets replied the payment would be fixed for the life of the bond with the exception of regulatory requirement changes or capital projects, etc. She was also concerned about the rate increase information; President Fisk indicated that subject will be addressed yet in this meeting.

Treasurer Gray asked if the bond payments would remain the same for the life of the bond as our original bonds increased annually. Mr. Swets replied they would remain close to the same through the life of the bond.

Ms. Rognlie inquired of Mr. Swets if one municipality votes against the project, does it kill the project and do we lose the funding. The answer was yes. She noted our sewer system would then be in the same current condition.

Mrs. Forwerck asked when the Right of Way Map would be complete; Mr. Grier stated likely a couple of months.

PUBLIC COMMENT – Q&A

2015 SEWER RATE ADJUSTMENT

President Fisk, as Chair of Steering Committee, made the following recommendation on the 2015 Sewer Rate Adjustment to adjust it to \$35 (an increase of \$6.50/unit). This would allow us to be in a position to be prepared for the first interest payment due November 2015.

Board Action:

Mr. Broering made a motion to implement a 2015 Sewer Rate increase of \$6.50/unit, bringing the new fee to \$35, to be implemented as soon as possible, contingent on all municipality approval. Ms. Leedy seconded the motion.

ROLL CALL VOTE: Lori Ann Rognlie-Y, Tom Gray-Y, Ron Broering-Y, Lisa Leedy-Y, Linda Forwerck-Y, William Fisk-Y. Motion carried.

GRANT RESOLUTION

Ms. Leedy made a motion to adopt a Resolution to allow the FLAUA to apply for the Risk Reduction Grant Program (PAR Plan: Michigan Township Participating Plan). Mr. Broering seconded. VOTE: YEAS: All. NAYES: None. Motion carried.

PERSONNEL COMMITTEE

The Personnel Committee met and is making a recommendation to the Board to hire two candidates as Interim Relief Personnel to provide support to Mr. Joe Burfield, Relief Operator. These candidates are Mr. Danny Smith and Mr. Jeff Hulwick. Mr. Burfield supported these recommendations.

Board Action:

Mrs. Forwerck made a motion to hire the two proposed candidates on a part-time interim basis as soon as possible to provide relief to Mr. Burfield. Mr. Broering supported the motion.

Discussion followed with Mr. Fisk noting there would be preliminary drug testing as a condition of employment. It was disclosed that Mr. Jeff Hulwick is the son of FLAUA Commissioner Ricky Hulwick.

ROLL CALL VOTE: Tom Gray-Y, Ron Broering-Y, Lisa Leedy-Y, Linda Forwerck-Y, William Fisk-Y, Lori Ann Rognlie-Y. Motion carried.

Board Action

Ms. Leedy made a motion to hire the above-approved candidates at a rate of \$10/hour. Ms. Rognlie seconded the motion.

ROLL CALL VOTE: Ron Broering-Y, Lisa Leedy-Y, Linda Forwerck-Y, William Fisk-Y, Lori Ann Rognlie-Y, Tom Gray-Y. Motion carried.

Mr. Fisk stated the Personnel Committee felt strongly that we need to provide additional monetary support to Mr. Burfield to provide direction and support to the new hires as well as for the additional workload he has taken on in the absence of a Superintendent. The Personnel Committee did not present a specific amount. Mr. Fisk and Mrs. Forwerck suggested Mr. Burfield consider a fair rate for this increase, confer with Mr. Gwizdala, Chair of the Personnel Committee, and report back to the FLAUA Board at the December meeting.

Note:

President Fisk had earlier informed the Board and Guests of his need to leave at 5:15 p.m. at which time, he turned the meeting over to Commissioner Lisa Leedy.

Ms. Leedy informed Mr. Grier she would be receiving information from Mr. Selover and would forward it to him as well as a sample contract. The Board would then be able to address this at the December meeting.

Ms. Leedy asked the Board for any additional questions.

Mr. Gray inquired who would be preparing the actual DEQ paperwork; the professionals stated Mr. Blair Selover and Mr. Brian Lee have been preparing it.

Mr. Broering inquired of Mr. Swets if we pre-pay part of the bond repayment, would it reduce the payment or end the commitment sooner. Mr. Swets replied pre-payment is typically applied at the end and the payment amount stays the same. He also stated it is up to Rural Development. They also discussed Mr. Traciak's input in this process.

The Board extended many thanks to Messrs. Swets, Grier, DeVol, and Kladder for their input and attending this Special Meeting.

ADJOURNMENT:

Mrs. Forwerck made a motion to adjourn the meeting. Mr. Broering seconded the motion. Meeting adjourned at 5:22 p.m.

Submitted by:

Kay Z. Held, Recording Secretary