

FIFE LAKE AREA UTILITY AUTHORITY (FLAUA)

Regular Meeting - Minutes

Wednesday, December 21, 2022, 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 6:03 p.m.

ROLL CALL: President Gray called Roll.

Present: President Tom Gray, Vice President Marilyn Hayes, Treasurer Jodi Thayer, Secretary Leigh Gifford and Commissioners Tom Hempsted, Dave McGough and Gerianne Street. A quorum was established.

Absent: Commissioner Ron Broering.

NOTE: Ms. Gerianne Street was earlier nominated and approved to the FLAUA by the Fife Lake Township Board, representing Fife Lake Township. She replaces Mr. Jim Gifford.

Others in Attendance:

Ms. Kay Held, Recording Secretary

APPROVAL OF AGENDA:

New Business: Entry should read "Review 2023 Proposed Budget", not "Modified Budget."

Board Action:

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

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

ACCEPTANCE OF MINUTES:

Acceptance of Regular Meeting Minutes of November 16, 2022:

Board Action:

Ms. Gifford made a motion to accept the Minutes of the November 16, 2022, Regular Meeting as presented. Ms. Hayes seconded the motion.

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

TREASURER'S REPORT:

Treasurer's Report – Financial Report of November, 2022, and Payment of Bills:

The November, 2022, Treasurer's Report was distributed in advance of the meeting for Board review. An updated A/P was provided. Treasurer Thayer also reported on the following:

Through end of November, we should be at 91.66 % of Budget.

A few line items are over budget:

- Administrative Expenses are reported at 342.86%. This is incorrect. There was a \$1,200 fee to rent a lift truck for the installation of FLAUA signs on the building. This expense was erroneously put into Administrative Expenses and has been correctly moved to Contracted Labor (which was at 20.25% YTD).
- Trash Removal is reported at 471.15%. This is incorrect. An invoice from GFL for \$1,374.98 for pumping a station should have been posted to Contracted Services under Operating Expenses and has since been corrected.
- Payroll Expenses account is also over budget due to the contracting of 1099 staff for the fencing project.

Board Action:

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

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

Payment of Bills: November, 2022, Bills Payable: There was Board discussion regarding Bills Payable.

- The Ebay expense for \$75.91 was for parts to pull a wheel.
- The Attitude & Experience invoice was verified as service to hang new signage on building.
- The John's Auto invoice was to diagnose leak and install new upper radiator hose and diagnose new #1 cylinder ignition coil.

Board Action:

Ms. Hayes made a motion to approve the November, 2022, bills as presented. Mr. Hempsted seconded the motion.

ROLL CALL VOTE:

Street-Y, Hayes-Y, Thayer-Y, Gray-Y, Gifford-Y, McGough-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 was unable to attend the meeting. The Board reviewed and discussed his monthly report and email.

He has been cleared to return to work without restrictions. There was repair work done on the work truck regarding the water pump.

Compliance Officer Ravary distributed a memo to the Board suggesting a review of their protocols regarding cyber security measures that are in place with regard to the FLAUA's SCADA system, remote access, fire alarm, video security and backup system that communicates with Controls Engineering. He regularly receives notifications about cyber attacks against businesses, infrastructure and government. While we are a relatively small utility, the potential of such a threat is real. GovLoop, Muni, MSP, MRWA and NRWA routinely distribute information regarding cyber security concerns. He has worked with Mr. Jay Norris of Controls Engineering on implementing a two-step authentication process to sign in to the system. Mr. Norris has suggested replacing the radio data transmitter with a dual transmitter that utilizes both radio and cellular signals. He would credit us for our current radio transmitter and sell us a dual transmitter at a price reduced by the credit. Our cost is estimated to be \$1,000 and approximately \$10/month for the cellular connection. He recommends the Board consider this.

These discussions also lend themselves to considering other potential areas of vulnerability in our finances, billing database and financial records as well as outside computer/data protections that are in place. He suggested the Treasurer reviews security features used by H&R Block. Additional considerations may be firewalls, malware and virus protection and server monitoring.

Ms. Thayer cited an example from a year ago when she received an email appearing to be from Ms. Emily Escajeda of H&R Block requesting approval for a wire transfer. She automatically questioned the validity of this. After investigation, she found that emails from H&R Block to her email address had been compromised, bypassing them and going to an old folder on Treasurer Thayer's computer.

After identifying these fraudulent attempts, Ms. Thayer communicated with Ms. Escajeda and instituted a two-step authentication process on her email as well as accounts with Huntington Bank. The originating source for these wire transfer attempts was not able to be identified. Additionally, FLAUA does not use wire transfers, and Ms. Escajeda is aware of this. She would have also questioned the request.

This subject will be added to the January Agenda for further review and discussion. Treasurer Thayer will contact Ms. Emily Escajeda at H&R Block to discuss cyber security measures they have in place.

CITIZEN COMMENT: None.

NEW BUSINESS:

Review 2023 Proposed Budget:

Treasurer Thayer distributed the 2023 Proposed Budget.

Suggested changes:

Insurance (currently at 102.83% YTD): increase by \$500; from \$13,000 to \$13,500

Postage (currently at 118.33% YTD): increase by \$600; from \$2,800 to \$3,400

Internet (currently at 115.03% YTD): increase by \$100; from \$500 to \$600

Electric (currently at 1087.27% YTD): increase by \$2,400; from \$29,100 to \$39,500

Natural Gas (currently at % YTD): increase by \$200; from \$1,800 to \$2,000

No Changes recommended for Payroll, Contracted Labor or Truck Repair.

These proposed changes reflect a total increase of \$3,800.

Reduce Professional Fees line item by \$3,800 from \$21,180 to \$17,380. This was budgeted at this level as we contracted Fleis and Vandenbrink, whom we no longer work with. There are fewer Professional Fees now.

The Uncategorized Expense line item is just below \$30k. She suggested this remain as is in the event there is some unexpected need and adjust funds within other accounts.

The 2023 Proposed Budget was distributed reflecting these proposed changes. Treasurer Thayer did not adjust the Projected Income line as monthly rates were not increased, we only gained approximately three new users and late fees/tax roll payments will fluctuate. The projected \$370k Income remains the same.

Treasurer Thayer reported the 2023 Proposed Budget needs to be provided to the USDA within 30 days of 2022 year-end.

Board Action:

Ms. Hayes made a motion to adopt the 2023 Proposed Budget. Ms. Street seconded the motion.

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

2023 Meeting Schedule:

The proposed FLAUA 2023 Meeting Schedule was distributed.

Board Action:

Ms. Thayer made a motion to accept the FLAUA 2023 Meeting Schedule as presented. Ms. Gifford seconded the motion.

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

Election of Officers:

Board Action:

Mr. McGough made a motion to nominate Mr. Tom Gray for the Board position of President. Mr. Hempsted seconded the motion. There were no other nominations. Mr. Gray accepted the nomination.

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

Board Action:

Mr. Hempsted made a motion to nominate Ms. Marilyn Hayes for the Board position of Vice President. Mr. McGough seconded the motion. There were no other nominations. Ms. Hayes accepted the nomination.

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

Board Action:

Ms. Gifford made a motion to nominate Ms. Jodi Thayer for the Board position of Treasurer. Mr. Hempsted seconded the motion. There were no other nominations. Ms. Thayer accepted the nomination.

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

Board Action:

Ms. Hayes made a motion to nominate Ms. Leigh Gifford for the Board position of Secretary. Ms. Street seconded the motion. There were no other nominations. Ms. Gifford accepted the nomination.

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

OLD BUSINESS:

Distribute Modified P&L:

Treasurer Thayer explained the Modified P&L Statement that was distributed to the Board. This statement is for tracking the large USDA Principal payment and how it affects the bottom line. This is a long-term debt with a current balance of \$3.226 million on a 40-year note.

As explained each quarter, the Principal payment does not appear on the monthly P&L Report; however, Interest payments do. In ongoing efforts to provide accuracy and transparency and under the Board's approval some time ago, Ms. Thayer collaborated with H&R Block to develop this quarterly Modified P&L Report. She distributes it to the Board for review each quarter.

FLAUA is required to make an "Interest Only" payment a year 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 payments 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)

Treasurer Thayer outlined the following:

Net Operating Income \$90,888

Interest payment of \$75k

Bond Principal payment of \$64k

The two Interest and Principal payments total \$140k.

This results in an actual Total Net Income of \$26,888.

This Modified P&L Report shows a more accurate bottom line. 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. However, there is a long-term debt page in the Audit outlining this information. Therefore, the quarterly Modified P&L was designed to provide a more accurate look at the finances.

President Gray and Treasurer Thayer noted future anticipated capital expenditures. The pond liner is anticipated to need replacing in five years. The last cost projection four years ago was \$3.5 million; that cost may double in the next five years. The FLAUA will certainly pursue grant opportunities. There will need to be rate increase considerations.

Contract Renewals (Auditor, Accounting, Engineering & Attorney):

Auditor:

Gabridge & Associates:

Treasurer Thayer stated we were under contract with Gabridge for year 2019, 2020 and 2021 audits. We need to do a Request for Proposal (RFP). Because of timing, she reached out to Gabridge for a proposal and quote. We were on a graduated contract which ended at \$4,200 for 2021. Their proposal includes a graduated rate increase for 2022, 2023 and 2024, beginning at \$5,700 for 2022 up to \$6,400 for the year 2024.

She suggested we consider entering into a one-year contract with Gabridge as the audit process will begin soon; she starts preparing documents for the Auditor in January. Otherwise the Board shall table this item and do an RFP. There was Board discussion to reach out to Baird, Cotter & Bishop of Cadillac to ask if they would be interested in submitting a proposal.

There was Board consensus that we commit to a one-year contract regardless of which provider we use and request three-year RFPs next year, earlier in the year. The Organizational Calendar will be adjusted.

Board Action:

Ms. Thayer made a motion to approve a one-year audit contract with Gabridge & Assoc. provided Baird, Cotter & Bishop is not interested in submitting a three-year proposal. Gabridge's quote is approximately \$5,870. If Baird, Cotter & Bishop submits a three-year proposal, the Board will set a Special Meeting in early January to discuss their proposal. Ms. Gifford seconded the motion.

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

Treasurer Thayer will contact Baird, Cotter & Bishop to ask if they would like to submit an RFP.

Accountant:

H&R Block (C&T Management Services):

Treasurer Thayer stated we were contracted with H&R Block from 2019-2021 and then signed a one-year contract with them. She received a one-year proposal for \$960/month.

Bookkeeping-Payroll fees: 2021: \$110, 2022: \$115. Proposed 2023: \$130/month
Monthly Billing to Sewer Customer: 2021: \$160, 2022: \$165. Proposed for 2023: \$180/month
Bookkeeping-Payments-Reports: 2023 \$650/month. (no change from prior year)

An itemization of specific Bookkeeping, Billing and Payroll services are outlined in their proposal.

This proposal includes two hours of billable time for bookkeeping, meeting with FLAUA Treasurer and customer correspondence; each additional hour is \$59.

Additional fees to be covered by FLAUA: check stock for printing checks and postage.

Fee to attend any FLAUA meetings when requested: \$75/hour.

No charge to work with the Auditor; however, there is a fee of \$59/hour if the Audit is on-site. Last year's Audit was entirely off-site. Ms. Thayer works closely with H&R Block to provide documentation needed. H&R Block provides reports for the monthly meeting.

The total increase in H&R Block's proposal from 2022 to 2023 is \$30/month.

Ms. Thayer reported she works well with their accounting staff, there are systems put in place customized to FLAUA and they are local, which is convenient for the drop-off and pick-up of documentation and checks. In spite of these factors, she and the Board agreed we are required to do due diligence to ensure this is a reasonable fee.

Board Action:

Ms. Thayer made a motion to accept the proposal for accounting services for 2023 as received from H&R Block and put out an RFP for next year. Treasurer Thayer is authorized to sign the 2023 contract. Mr. Hempsted seconded the motion.

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

Engineering:

We do not have a formal contract with Performance Engineering of Charlevoix; they are named as our Engineer of Record. There is no retainer fee. We are not required to utilize them for services. They also send a person at no charge once a month to be trained in the FLAUA system. They have been very responsive since we entered into a working relationship with them. This was especially evident after Compliance Officer Ravary was off work with a work-related injury.

There was Board Consensus to retain Performance Engineering of Charlevoix as our Engineer of Record.

Attorney:

FLAUA sent RFPs for legal counsel in March and received/reviewed proposals. We chose Attorney Michael Figliomeni of McCurdy, Wotila and Porteous of Cadillac to be our Attorney of Record. Much like Performance Engineering, there is no exclusive engagement agreement with McCurdy, Wotila and Porteous, nor are we under retainer.

COMMUNICATIONS:

Ms. Thayer attended the Springfield Township and Fife Lake Township meetings and renewed the request of the FLAUA for ARPA Funds for our fencing project. We are asking for the customary percentage breakdown among constituent municipalities. The following Townships approved:

Fife Lake Township (40%) \$9,632
Springfield (20%) \$4,800

Ms. Thayer planned to attend the Fife Lake Village meeting in December; however, they did not have a quorum. She will attend their January meeting to present FLAUA's renewed request for ARPA funds in the amount of \$9,632 (40%).

Ms. Street asked for an itemized statement of expenses for the fencing for the Township's records. Ms. Thayer will generate invoices in those amounts so they have an invoice from which to pay.

CITIZEN COMMENT: None.

ORGANIZATIONAL CALENDAR:

Each item on the Organizational Calendar for September was reviewed and discussed. The Calendar was updated with some changes.

The Board of Commissioners Contact List will be updated and distributed.

OUTSTANDING TASK LIST:

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

Treasurer Thayer verified the Vans Lane resident's 10% settlement lien amount (\$950) is on the Winter tax role. It is unknown if this has been paid as of this date. She will investigate.

Ms. Thayer confirmed she is posting monthly Minutes on the website.

BOARD COMMENT:

Commissioner Street will be added to the distribution list for monthly meeting packets.

President Gray noted the City of Traverse City is exploring the use of solar panels. There may be more monies available for that than for the sewer pond. We are currently paying \$2,500/month for electricity. We have an excellent prospective spot for solar. He brought this to the Board's attention for their information and to keep it top of mind.

Ms. Street stated she attended the Michigan Infrastructure Council for Asset Management. She participated in the Energy portion. The topic of solar energy was highly discussed.

Ms. Thayer put our electric costs into perspective. It is our second highest expense. We pay \$80k in Wages followed by \$31k in Electric. The next highest expense is Insurance at \$13k.

ADJOURNMENT:

Ms. Thayer made a motion to adjourn the meeting. Ms. Gifford seconded the motion.

VOTE: YEAS: All. NAYES: None.

The meeting adjourned at 7:37 p.m.

Submitted by: Kay Z. Held, Recording Secretary