

FIFE LAKE AREA UTILITY AUTHORITY (FLAUA)

Regular Meeting

APPROVED MINUTES

Wednesday, December 20, 2023, 6:00 p.m. 231-879-3565

Fife Lake Township Hall, 134 Morgan Street, Fife Lake, MI 49633

NOTE: MEETING HELD AT FIFE LAKE LIBRARY CONFERENCE ROOM

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, Secretary Leigh Ann Gifford, Treasurer Jodi Thayer and Commissioners Tom Hempsted and Sandi Howell. A quorum was established.

Absent:

Commissioner Ron Broering

Others in Attendance:

Ray Ravary, Compliance Officer

Ms. Kay Held, Recording Secretary

APPROVAL OF AGENDA:

-Add Approval of 2024 FLAUA Meeting Schedule to New Business

-Add Sewer Rate Increase Resolution to Old Business

-Add Compliance Officer Ravary to FLAUA Debit Card to New Business

Board Action:

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

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

ACCEPTANCE OF MINUTES:

Acceptance of Regular Meeting Minutes of November 15, 2023:

Correct date on Footer at bottom of page(s) from 10-18-23 TO 11-15-23.

Board Action:

Ms. Thayer made a motion to accept the Minutes of the November 15, 2023, Regular Meeting as amended. Mr. Hempsted seconded the motion.

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

TREASURER'S REPORT:

Treasurer's Report – Financial Report of November, 2023, and Payment of Bills:

The November, 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 eleven months into the year should be at 92%.

Gross Income is at 105.33% YTD.

Total Expenses are at 85.32% YTD.

The meeting packet has Budget to Actuals.

Truck Repair (including deductibles) as well as Payroll are up slightly.

A revised P&L will account for the 12/1/23 \$30k+ USDA Principal Bond payment. This document was not completed in time for the meeting packet; however, information was provided to the Board for informational purposes.

Net Income after the Bond payment is \$11k.

Board Action:

Ms. Hayes 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, 2023, Bills Payable:

There was Board discussion regarding Bills Payable.

Treasurer Thayer referenced a quote previously received from Triple Point in the amount of \$1,170 for membranes and clamps; lagoon aeration equipment. The materials and equipment have been received; we have been awaiting an invoice. She would like to add this expense to the Bills Payable for H&R Block to pay.

Board Action:

Ms. Hayes made a motion to approve the Bills Payable as amended. Ms. Gifford seconded the motion.

ROLL CALL VOTE:

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

Note: There was Board consensus to move the Compliance Officer Report up on the Agenda in order for Mr. Ravary to attend the Planning Commission Special Meeting Public Hearing.

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

There was a truck issue with a failed shock. Additional vehicle issues included a snapped emergency brake cable replacement and a problem with the spare tire that will require purchase of a new one.

The Kaiser pump is up and running. He has made much progress on the Preventive Maintenance list. There are two properties that will need to tie in (Cedar Ridge and FAFCU).

A gentleman who purchased a cabin six years ago but never used it would like to tie in. He has been charged for sewer service since 2016; he would like the connection fee waived. He has paid approximately \$5,000 during these years.

There was Board discussion. This property should have been tied in as there are facilities onsite, regardless of whether or not they were used. According to the FLAUA By-Laws, no compensated service is provided. The Board wondered why he has paid all these years but never questioned it. There was consensus for Compliance Officer Ravary to discuss this matter with our attorney.

Mr. Ravary needs approval for A4 pump repairs/replacement; there is a 12-14 week wait time. This is our second most critical operation pump. A quote from Kennedy Industries was received in the amount of \$30,959. This is the net price, including freight and a five-year warranty.

The Board and Mr. Ravary discussed changing the rotation of pump use in the interim in attempts to keep A4 operational. There is \$60k in the Future Equipment account; payment will be drawn from this account.

Board Action:

Ms. Thayer made a motion to order the A4 Station pump based on the quote of \$30,959 from Kennedy Industries. Mr. Hempsted seconded the motion.

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

GUESTS:

Ms. Amanda White, Wastewater Technician, Michigan Rural Water Association

COMMITTEE REPORTS:

Personnel Committee: No meeting. No report.

Steering and Operations Committee: No meeting. No report.

CITIZEN COMMENT:

President Gray and Treasurer Thayer provided an overview explanation regarding the recently approved sewer rate increase. Ms. Amanda White, Wastewater Technician with Michigan Rural Waterworks Association was introduced. She has partnered with FLAUA in conducting the recent rate study.

Ms. Thayer informed the public the USDA annual payments required are \$64k for Principal and \$73k for Interest. Funds are required to be deposited each month into restricted accounts to ensure meeting these requirements. These expenses are only included in a Modified P&L report bi-annually.

A new pond liner will be required by the DEQ in the next 3-7 years. It is estimated at \$7 million with a \$750k FLAUA required contribution. We will need to set aside funds annually to plan for this. The FLAUA will be pursuing grant opportunities for cost sharing but must set aside funds annual to plan for this. Additionally, it was necessary to approve the purchase of a critical pump tonight at a cost of \$31,000.

Mr. Kevin Deeren, 125 West State Street, Fife Lake, MI 49633

Mr. Deeren attended this evening regarding the recently approved sewer rate increase. He asked the Board to explain the pond and process.

The Board explained the sewer system structure, facility locations, and functions to Mr. Deeren and how it all works together from collection to cleaning to finishing. They also explained the history of the prior sewer system and its condition, the subsequent loan and bond to rebuild thSe system, and DEQ requirements with regard to equipment and fiscal responsibility. Ms. Thayer outlined the restricted funds for payback. The total cost of the system rebuild was \$7.2 million; half in grant and half in loan monies.

Once the system was revamped and brought to code in 2016, user rates were set at \$55/REU based on USDA requirements to secure the loan. There has been no rate increase since then. The Authority should have minimally been instituting a Cost of Living Adjust (COLA) annually. During the past three years, as outlined last month by Ms. White, costs have increased 28%. The Sewer Authority must now institute a rate increase in its efforts to catch up to expenses.

Mr. Deeren appreciated the Board explanation which gave him a better understanding than simply what he has been hearing others talk about. He also inquired about the proposed campground Public Hearing with the Planning Commission and why it was scheduled at the same time as the FLAUA meeting as he feels members of the public at that meeting may have also wanted to be at the FLAUA meeting with concerns about the rate increase.

Treasurer Thayer noted that 6:00 p.m. on the third Wednesday of the month (tonight) has been the set meeting schedule for FLAUA for years. She received notification from the Fife Lake Area Planning Commission (FLAPC) that FLAUA needed to change locations for tonight's meeting as they scheduled a Special Meeting Public Hearing at 6:30 on the proposed RV Park.

At this time, three guests left the FLAUA meeting to attend the FLAPC meeting regarding the proposed RV Park's conditional rezoning request, mistakenly thinking they were at the Public Hearing.

Ms. Thayer noted any change in a meeting time and location legally must be posted at least 18 hours in advance; she posted the change in location for FLAUA's meeting at least one week in advance at multiple locations.

Mr. Deeren stated he received notice about the FLAUA rate increase two days ago. Ms. Thayer stated it was on the December 1 invoice. Board Members noted they received electronic and/or hard copy notices within the first week of December.

Mr. Deeren believes COLA increases would have been easier. Treasurer Thayer replied a larger increase is being instituted now with subsequent annual COLA increases. It was not the Board's desire to levy a large increase; however, it was necessary based on Ms. White's MRWA assessment and supporting information. It was not a figure arbitrarily chosen and FLAUA recognizes smaller, annual rate increases should have been made before now. The MRWA recommendation was nearly \$100/month based on the current study; however, the Board approved a lesser increase.

Ms. White stated without the new rate increase, the FLAUA would be at a \$58k deficit for the upcoming year. The USDA loan life is 40 years; however, the equipment life is not that long. Additionally there are DEQ-required capital improvements. There have also been increases in operational expenses and fixed costs, for example, a required EGLE permit is \$3,500/year and is expected to rise to \$7,000 next year. Electric for the plant and pump stations is almost \$3,000 per month now and higher during the summer months. The FLAUA truck is 10 years old. Equipment needs maintenance. Manholes deteriorate. The operation and maintenance of the plant is imperative to every system user. The FLAUA Board and its Compliance Officer review all expenses monthly and take measures to control costs in every category.

The Board rarely has members of the public attend its monthly meetings and would welcome guests to any meeting so that users of the system were more aware of the sewer operation.

If the RV Park is approved, FLAUA does not have pipes to that property. The RV Park will need to fund the construction to their location, just like the Hayes subdivision was required to do for their development.

The Board hopes tonight's discussion helps clarify to Mr. Deeren what constitutes the expenses of the FLAUA operation and maintenance, as well as demonstrate the necessity of the rate increase. Board Members thanked Mr. Deeren for attending tonight and asking questions.

NEW BUSINESS:

Review 2024 Budget:

The proposed 2024 Budget was distributed to the Board. The projected revenue was increased to \$470k based on the rate increase.

Based on analysis of current year expenses, accounts that were increased are:

- Insurance to \$16,000
- Cellular Service to \$1,900
- Internet Service to \$800
- Equipment Rental to \$2,000
- Contract Services to \$31,500
- Fuel for Equipment to \$4,000
- Operating Supplies to \$22,500
- Building Repair & Maintenance to \$15,000
- Payroll Expenses to \$9,050
- Wages to \$83,150 (1 full-time and 2 part-time)
- Natural Gas to \$3,000
- QuickBooks Fees to \$5,700
- Uncategorized Expenses at \$80,750

Bond Interest on page 2 is not changed; this budget does not show Principal payment of \$64,000 and Interest payment of \$73,000 in 2024.

Part of the \$470,000 includes funding required for restricted accounts.

Board Action:

Ms. Hayes made a motion to approve the FLAUA 2024 Budget as presented. Mr. Hempsted seconded the motion.

VOTE: YEAS: All. NAYES: None.

Review Board Member Terms and Contacts:

This item was postponed to the January, 2024, meeting.

Approve 2024 FLAUA Meeting Schedule:

The 2024 FLAUA Meeting Schedule was distributed to the Board.

Ms. Gifford noted the Fire Department meets every Wednesday night for meeting/trainings at the Township Hall. They have asked if the FLAUA could consider moving their meeting location (3rd Wednesday of the month).

Mr. Hempsted will check to see if the Village Hall might be available.

Board Action:

Ms. Thayer made a motion to approve the FLAUA 2024 Meeting Dates as presented. Ms. Gifford seconded the motion.

VOTE: YEAS: All. NAYES: None.

Compliance Officer Ravary to FLAUA Debit Card:

The Forest Area Federal Credit Union has requested that Compliance Officer Ravary be added as a user of the FLAUA Debit Card.

Board Action:

Ms. Thayer made a motion to authorize Ray Ravary be added to the FLAUA debit card and take the Minutes from this meeting to the credit union to execute the change. Ms. Gifford seconded the motion.

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

OLD BUSINESS:

Sewer Rate Increase Resolution:

Treasurer Thayer read aloud the proposed FLAUA Sewer Rate Increase Resolution #1-2023 outlining the sewer rate increase effective January 1, 2024, and subsequent annual COLA increases beginning January, 2025.

Board Action:

Ms. Thayer made a motion to adopt the FLAUA Sewer Rate Increase Resolution #1-2023 with minor clerical corrections noted. Ms. Hayes seconded the motion.

ROLL CALL VOTE:

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

COMMUNICATIONS:

President Gray stated Mr. Ravary received information from Story Roofing regarding the required roof assessment. They provided a 30-day quote in the amount of \$760 to repair deteriorating boots on the roof. There was Board consensus to have this service performed in the spring.

President Gray stated there is a quote for new GMDS radios for existing pump control panels; 16 radio jumpers in the amount of \$40,919 (actual total would be \$38,753 without the 6% sales tax that was included—FLAUA is tax-exempt). This includes a 12-month warranty. As previously discussed, the current radios are obsolete and repairs are near impossible.

Treasurer Thayer reported there is \$80k in the Michigan Class Investment Account. The USDA Restricted Accounts are accessible in 2026 once the minimum threshold is met.

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.

Treasurer Thayer investigated the debit card fee of \$4.99 on 8/15/23 for Prime Video Channels; it is not a recurring charge.

BOARD COMMENT:

Treasurer Thayer stated Springfield Township Hall would be available as an alternative meeting space.

There was additional Board discussion with Ms. White of MRWA. She works with numerous municipalities across the state; some with sewer and some with sewer and water. She relayed that residents of Lake Mitchell in Cadillac had been paying \$56/quarter and after the state DEQ-assumed rate control, residents are paying \$120/month within three years' time. Sewer renovation projects that were quoted pre-pandemic are now costing more than three times the cost.

The FLAUA headworks (filtering) system will need to be replaced. There are constantly foreign items, non-flushable items and grease being put into the sewer system in spite of mailing out educational information to system users.

ADJOURNMENT:

Board Action:

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

VOTE: YEAS: All. NAYES: None.

The meeting adjourned at 7:23 p.m.

Submitted by: Kay Z. Held, Recording Secretary