

FIFE LAKE AREA UTILITY AUTHORITY (FLAUA)

Regular Meeting - Minutes

Wednesday, July 19, 2023, 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 6:11 p.m.

ROLL CALL: President Tom Gray called Roll.

Present:

President Tom Gray, Vice President Marilyn Hayes, Treasurer Jodi Thayer and Commissioners Gerianne Street and Sandi Howell. A quorum was established.

Absent:

Secretary Leigh Ann Gifford
Commissioner Ron Broering
Commissioner Tom Hempsted

Others in Attendance:

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

APPROVAL OF AGENDA:

Board Action:

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

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

ACCEPTANCE OF MINUTES:

Acceptance of Regular Meeting Minutes of June 21, 2023:

Board Action:

Ms. Hayes made a motion to accept the Minutes of the June 21, 2023, Regular Meeting as presented. Ms. Thayer seconded the motion.

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

TREASURER'S REPORT:

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

The June, 2023, Treasurer's Report was distributed in advance of the meeting for Board review.

Treasurer Thayer reported that:

Six months into the year the budget should be at 50% YTD.
Gross Profit is at 61.30% YTD.
Total Expenses are at 44.27 % YTD.

All other accounts are in line or very close to the 50% YTD.

President Gray noted Gross Profit is at 61%, which is ahead of the 50% YTD projection.

On Page 2 of Budget to Actuals under Operating Supplies, it is shown at 64%, which is high from the projected 50% YTD. \$18.5k is budgeted and \$11,945 has been spent. Treasurer Thayer will investigate this further to verify what expenses have posted to this account or if incorrect entries were made to the line item.

Ms. Thayer reported Contracted Labor is reported at a -268%; this is due to the reimbursements received by Springfield and Fife Lake Townships for the contracted labor last summer for the fencing work. The charge came out of that line item in 2022, and the credit went back in in 2023. The Payroll line item reflects similar activity as some of the expenses/credits were placed in this line item.

The Contract Services line item is high due to the entry of GFL for sewer line video and cleaning. This was previously mistakenly entered into the Trash line item and subsequently properly placed into Contract Services. We expect a second invoice from GFL.

Board Action:

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

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

Payment of Bills: June, 2023, Bills Payable:

There was Board discussion regarding Bills Payable.

An updated A/P was distributed to the Board. A USA Blue Book \$385 invoice for a sump pump was added to this report.

Board Action:

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

ROLL CALL VOTE:

Howell-Y, Street-Y, Hayes-Y, Gray-Y, Thayer-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 also discussed the following:

His original crane source was unavailable for the next month. Elmer's can come out on Tuesday; their fee is \$250/hour. Mr. Ravary estimates two hours at a \$500 expense. Board Members believe it may ultimately be more than two hours' time.

He picked up one of the lengthening cables for the generator and will begin working on this tomorrow. The other cables should arrive shortly thereafter.

Charter has hooked up the new internet. He will cancel the AT&T internet service. The email address will change.

Mr. Jay Norris will be here this week to work on the video system.

A test paint application on the barn was better after applying the wash; however, there is still some orange peeling. Mr. Ravary needs some metal primer then plans a spray paint application.

The hay crop is looking very good.

The pumps need oil changes. There is an issue with the location of a submersible pump. Fleis and VandenBrink evidently placed the submersible in the wrong location when the system was rennovated; subsequently, we are unable to use it. Mr. Ravary will contact them in an attempt to resolve this and have it moved to the proper site. These pumps are very expensive.

President Gray noted there is no duckweed in the pond. It was treated last year. Mr. Ravary stated the ammonia is high.

Repairs to the deep well pump need to be made as previously discussed; Mr. Ravary will need Board authorization for this expense.

Board Action:

Ms. Thayer made a motion to approve the Kennedy Industries quote for rebuild of the irrigation pump for approximately \$15,000 as outlined in their estimate. Ms. Hayes seconded the motion.

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

CITIZEN COMMENT: None.

NEW BUSINESS:

Review Modified P&L:

Treasurer Thayer distributed the bi-annual Modified P&L to the Board. For review, 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 report, which 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.

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 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)

In Treasurer Thayer's presentation, she stated the Modified report shows a Net Income of \$37,251.76. However, once the \$64,000 Bond payment was made, it shows a loss of -\$26,748.24. In review of the Balance Sheet this month (page 5), it shows accounts where we place funds to prepare for this:

- Future Equipment (\$95,000)
- Michigan CLASS Investment Account (\$75,000)
- Improvement/Repair (\$7 balance as funds were transferred to the Operating Fund to pay the Bond payment)

She discussed this trend with the Board and cautioned that priorities must be maintained to keep the system at optimal operation. Payroll has been running high as the part-time staff has been working 20-30 hours/week, above the approved 15 hours/week. While important work has been getting done, the additional hours must be reduced.

The next large USDA payment will be the Interest payment of \$35k, and we budget a line item for this. It is unfortunate accounting does not include a line item for long-term debt as this can be frustrating in reports. She believes the loss will be made up in the next six months, resulting in a \$12k profit at year-end. However, large expenses can and do come up, as evidenced by the Kennedy expense for the pump rebuild.

She wanted the Board to be aware of this. While there is \$170k in reserve funds, it isn't a lot in the overall operation.

She encouraged Mr. Ravary to utilize the part-time staff in the most efficient, cost-effective ways possible. No one is dissatisfied with their performance or the amount of work getting done; however, the costs need to be kept in line with the budget. This is a proactive approach to controlling expenses, managing long-term debt and ensuring fiscal responsibility.

OLD BUSINESS:

110 Maple Tie-in:

Treasurer Thayer spoke with Marie at Tokyo Marine Claims. The Adjuster has a call in to the Claimant. Ms. Thayer spoke with Claimant Michelle Hayes who has attempted to make contact with the Adjuster; she expects to connect with Tokyo Marine soon. Ms. Thayer stated the Adjuster will review the claim, and it appears likely the claim will be denied.

Ms. Thayer expressed to the Board she is of the thought the Claimant should be reimbursed as it is clear the line was not adequately marked. If we are required to pay the claim, we likely have cause to contact Fleis and VandenBrink. There was discussion we have "as built" prints and the locations were marked accordingly. However; they are incorrect. We currently have two sets of prints that are incorrect.

There is no action to be taken today until a determination is made by Tokyo Marine.

The Claimant asked us for \$3k in reimbursement but had \$5k in costs. Ms. Thayer was informed by the Adjuster she is reviewing of \$5k claim. The Board and Compliance Officer Ravary reiterated the discussion held previously outlining the activities of that day on the site.

Ms. Thayer is staying in contact with Ms. Hayes.

This item was tabled to the August meeting.

Contract Renewal for Farming Sewer Property:

The current Farm Contract with Mr. Tim Birgy had been distributed to Board Members for review. There was Board discussion the new contract would be for four years from 2024-2027 (2024, 2025, 2026 and 2027). If renewed with Mr. Birgy, the lessee name should be changed from "Tim Birgy" to "Birgy and Sons Farming" at each appropriate occurrence.

Board Action:

Ms. Thayer made a motion to approve the proposed Farm Contract with Mr. Tim Birgy of Birgy and Sons Farming. Ms. Street seconded the motion.

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

Mr. Ravary will make the necessary name change to the new contract and forward to President Gray to sign and execute.

COMMUNICATIONS: None.

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.

The Michigan Rural Water Works Association membership invoice was received and paid June 23, 2023. Treasurer Thayer has documentation to forward to Compliance Officer Ravary regarding their request to conduct a rate evaluation. There was discussion that USDA would need to approve any rate increase. There had been prior discussion about interactions with USDA Representative Mr. Blake Smith and conflicting communication with him about rate increases. She will supply Mr. Ravary with the packet of information for Michigan Rural Water Works regarding the rate study.

Treasurer Thayer reviewed documentation and verified with Ms. Emily Escajeda of H&R Block regarding vacation pay for Mr. Ravary from his amended employment agreement of August, 2022. She verified he is to receive four weeks' vacation a year effective May 1 (anniversary date) of each year. Vacation time is to be taken by the day or week, with a minimum of eight hours. It is payable on the next pay period. He has the option on his anniversary date to be paid out for any unused vacation or to carry over a maximum of four weeks. Ms. Escajeda had asked for verification on the vacation information as the Board has just recently approved a wage increase.

Regarding the Vans Lane lawsuit settlement, Treasurer Thayer spoke with Fife Lake Township Treasurer Sorrow who stated they submitted the \$950 as unpaid taxes to the County. The County did send the funds to the Township as part of a larger payment, and the Township distributed a check to FLAUA in April for \$11,900, which included the \$950 related to the Ms. Wilson settlement payment. Ms. Thayer will confirm with H&R Block that it was appropriately posted. This process should continue for 10 years, per the settlement agreement.

President Grey asked if Springfield Township paid us back taxes for Kalkaska County. Ms. Thayer will check.

BOARD COMMENT:

Commissioner Street inquired about grants for the pond liner. Compliance Officer Ravary stated he is always looking at grants. Many are tied up in drinking water. He entered into the PFAS lawsuit for wastewater through Michigan Rural Water Association. There was a settlement for drinking water but not wastewater. As previously reported, he has spoken with State and Federal Representatives to change language to open up funding opportunities for non-profit Authorities such as FLAUA as we are typically excluded because we are not a Municipality.

Ms. Street suggested looking at an EGLE grant that has verbiage of “protects public and environmental health by removing direct and continuous discharges of wastewater.” Mr. Ravary is aware of it but it is for combined sewer outflows (storm water & sewer), which does not apply to us.

He is also looking at grants for disadvantaged communities, which Fife Lake Township is considered. State Representative Roth’s office doesn’t believe FLT qualifies for that; however, he disagrees.

Ms. Street referenced a letter from Ms. Gary Peters who has a bill to make it easier to apply to Federal grants and gave Mr. Ravary a copy of it.

Commissioner Howell stated that, as a relatively new Board Member, she wanted the Board to know she is familiarizing herself with the reports, etc., to become a more active participant. The Board appreciates that.

President Gray stated he visits the plant a couple times per month and believes it is beneficial to look at things and discuss any questions or concerns with the Compliance Officer. The Board agreed the new shed is a low priority at this time. Mr. Gray invited Board Members to visit sites across the system with him. Compliance Officer Ravary recently gave Commissioner Howell a plant tour and encouraged the Board and users of the system to visit the plant to see how it runs and become more familiar with the operation. He thinks it would be very enlightening to people.

Commissioner Street expressed appreciation for the FLAUA Board.

ADJOURNMENT:

Board Action:

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

VOTE: YEAS: All. NAYES: None.

The meeting adjourned at 7:10 p.m.

Submitted by: Kay Z. Held, Recording Secretary