



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, January 27, 2009 – 9:00 a.m.
YCUA Administration Building
2777 State Road
Ypsilanti, MI 48198-9112**

Members Present: J. Ray Scott, Mark Namatevs, Deedra Climer Bass, Larry J. Doe, and Gregory A. Peoples.

Members Absent: None

1. **CALL TO ORDER:** Scott called the meeting to order at 9:00 a.m.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Peoples to receive and file the minutes of the December 16, 2008 meeting as presented. Support by Doe. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
 - A. **Request to Approve – Comprehensive Annual Finance Report (CAFR) For Fiscal Year 2007 - 2008** – Larry R. Thomas

Mr. Thomas advised the Board that Rehmann Robson, YCUA's auditing firm, has completed the audit of the Authority's financial statements for the fiscal year ending August 31, 2008. He indicated that a copy of the CAFR and the Single Audit were enclosed in their packets. Mr. Thomas also explained that the audit shows lower sales than were anticipated and budgeted, which is no surprise due to the economy. He pointed out that there were also lower operating expenses during the year.

Mr. Thomas explained that YCUA's cash reserves declined during the year by about \$2.5 million as cash generated from operations was not sufficient to finance the capital acquisition and improvement projects done during the year. He further advised that the Authority has re-evaluated the capital improvement and acquisition plans for the current year and has postponed several projects until future years.

Mr. Thomas stated that upgrades to two pump stations and main replacement projects are still anticipated to proceed, contingent upon DWRF and SRF funding approval.

He acknowledged that Mark Kettner was present to provide an overview of the audit and answer any questions the Board may have.

Mr. Thomas recommended approval of the Comprehensive Annual Finance Report (CAFR) For Fiscal Year 2007 – 2008.

J. Ray Scott advised the assembly that the Board will be following up with YCUA Finance Director Dwayne Harrigan to make sure that the suggestions outlined in the auditor's letter are implemented. He indicated that one of the aspects of the Authority of which he is most proud, especially during these troubled times, is that many of its services are provided to people in real financial hardship. Mr. Scott stated that the Authority's strength and best resource is its people and that these people continue to do an exceptional job in the community.

Larry J. Doe inquired as to how long YCUA can continue to withstand losing \$3 million a year without raising rates, even though a part of that loss is depreciation. Mr. Kettner responded that a deficit in unrestricted net assets in a proprietary fund is a problem and could result in the state refusing to issue any debt to the Authority. He indicated, however, that the Authority's unrestricted net assets are reflecting reasonable numbers and the present goal is to break even on operations. Mr. Kettner stated that it is a delicate balance to determine how to accomplish this by not charging too much or too little to the users.

Deedra Climer Bass advised the group that this is the reality check for some of the processes that have been put into place for reducing costs and this report reflects the bottom line as to why YCUA is doing this. She indicated that it is not always comfortable to be in this position but that the reality is that it is important to continue to provide a place for people to come to work. Ms. Bass stated that not tightening the Authority's belt is going to result in more problems down the line and that this is why YCUA is doing what it is doing in order to make the Authority a sustainable entity long-term.

Mr. Scott concurred and added that suspending capital improvements was not something that the Board wants to do but that it's important to be proactive.

Mark Namatevs advised the Board that the Finance Committee reviewed the preliminary report and that everything appears to be in order. He indicated that the recommendation to monitor some of the suggested

changes is an excellent idea. Mr. Namatevs suggested that staff provide reports to the Finance Committee on the bank reconciliations, credit memos, and the journal entry reviews at their quarterly meetings in order to make sure everything is flowing smoothly and to assure that the Authority remains in compliance.

J. Ray Scott concurred with the recommendation and added that the Authority's new Finance Director Dwayne Harrigan is doing a great job, particularly considering his newness to YCUA.

Gregory A. Peoples concurred with the previously stated opinions.

Motion by Namatevs to approve the Comprehensive Annual Finance Report (CAFR) For Fiscal Year 2007 – 2008. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

B. Request to Approve – Change Order re: Textile Road Water Main Project – T. Michael Jessee

Mr. Jessee advised the Board that Textile Road Phase 2 was a project where approximately 1,800 feet of 16-inch water main was replaced. He indicated that the project began at the Georgetown condominiums and traversed west to approximately South Mohawk Street. Mr. Jessee also explained that it was done in conjunction with a project by the Washtenaw County Road Commission wherein the road at the intersection at Tuttle Hill and Textile was redone. He pointed out that the WCRC sent YCUA an invoice for \$267,838.17, which is approximately \$17,000 over budget.

Mr. Jessee explained that YCUA staff reviewed the invoice and reduced it to a certain degree and has been talking with the WCRC since the Board's memo was sent. He further advised that staff is requesting \$14,538.17 for the completion of the project. Mr. Jessee stated that his memo addresses the change order items in excess of \$5,000.

He acknowledged that the first item is an additional 211 feet of 16-inch water main at a cost of \$16,932.75. Mr. Jessee confirmed that the second item was the deletion of 159 feet of additional depth construction which was not utilized, resulting in a \$12,402 reduction in cost. He explained that the next item related to two additional fire hydrants, which resulted in an additional cost of \$6,600. Mr. Jessee pointed out that the last item was the implementation of a 16-inch line stop for water main isolation, which resulted in an increase of \$26,304.91.

He also stated that Scott Westover deserves thanks for his due diligence in reviewing the invoice from the WCRC.

Mr. Jessee recommended approval of Change Order re: Textile Road Water Main Project in the amount of \$14,538.17.

Larry J. Doe inquired as to how certain items such as the correct number of fire hydrants can be missed in the original bidding documents. Mr. Jessee responded that it was a simple engineering oversight, which has been discussed with the YCUA engineering staff members who did the design, and adjustments will be made within the department to be more accurate with its estimates.

Mark Namatevs inquired as to how long the Authority has been doing its own engineering. Mr. Jessee responded that YCUA has been doing so for two to three years but that this is one of the largest projects it has done to date. He added that, while there is always an allowance for small errors, this particular oversight was a bit excessive and reiterated that the matter was discussed with YCUA's engineering department.

Motion by Peoples to approve Change Order re: Textile Road Water Main Project in the amount of \$14,538.17. Support by Doe. In favor: All. Opposed: None. (Motion carried)

C. Request for Final Acceptance – Seaver Farms as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that Seaver Farms has been completed and has a maintenance and guarantee bond in place. He indicated that YCUA received the letter from OHM recommending approval as a public utility. Mr. Jessee also explained that the project is located on Huron Street in front of the Bosal property on the west side of the road just south of I-94. He pointed out that there are approximately 2,270 feet of 12-inch water main and 170 feet of 10-inch gravity sewer.

Mr. Jessee recommended acceptance of Seaver Farms as a public utility.

Motion by Doe to accept Seaver Farms as a public utility. Support by Bass. In favor: All. Opposed: None. (Motion carried)

D. Request for Final Acceptance – Washtenaw Business Park as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that this project is in the same area. He indicated that there were 1,085 feet of water main in this project. Mr. Jessee also explained that there is a maintenance and guarantee bond in place.

Mr. Jessee recommended acceptance of Washtenaw Business Park as a public utility.

Motion by Namatevs to accept Washtenaw Business Park as a public utility. Support by Bass. In favor: All. Opposed: None. (Motion carried)

E. Fund Balance Report - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Fund Balance Report for December 31, 2008. He then proceeded to give a detailed report of the information contained in the report and answered questions from the Board.

Informational only; no motion from the Board required.

F. Financial Report – Authority Net Assets - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Financial Report – Authority Net Assets Report for December 31, 2008. He then proceeded to give a detailed report of the information contained in the report and answered questions from the Board.

Informational only; no motion from the Board required.

G. Usage Report – Consumption Report - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Consumption Report. He then proceeded to give a detailed report of the information contained in the report and answered questions from the Board.

Informational only; no motion from the Board required.

H. Attorney's Report – Thomas E. Daniels

Mr. Daniels advised the Board that he has three items to report on this month, which have been reported on previously: the C.A. Hull lawsuit, the Meade Westvaco Federal litigation, and the WTUA arbitration.

Mr. Daniels reminded the Board that a settlement was reached with URS on the C.A. Hull matter but that a settlement could not be reached with C.A. Hull and, consequently, the case is scheduled to go to non-jury trial on March 9th in Washtenaw County Circuit Court. He indicated that, as plaintiff, YCUA will begin presenting its case on the first day and is essentially prepared with the witnesses that it wants to call and the exhibits it wants to introduce. Mr. Daniels also explained that the Authority will be doing more work on preparation of witnesses prior to the trial, primarily working with Mike Jessee.

Mr. Daniels advised the Board that the Meade Westvaco matter is still in pretrial discovery and document exchange is ongoing. He indicated that depositions are underway and Tom Allbaugh, project engineer for YCUA,

was recently deposed in part. Mr. Daniels also explained that Mr. Allbaugh's deposition will be concluded next week. He pointed out that YCUA will travel to Charleston, South Carolina on March 11 – 12, 2009 to depose current employees of Meade Westvaco and Bioclimatic witnesses. Mr. Daniels explained that the depositions so far have gone very well and that Tom Allbaugh was very well prepared and did an excellent job. He further advised that staff continues to work on Mr. Allbaugh's preparation for the final half of his deposition.

Mr. Daniels advised the Board that the central issue to the WTUA arbitration is GASB 45. He indicated that WTUA takes the position that they are not responsible under the contract for paying certain portions of the funding of the Other Post-employment Benefits Trust (OPEB) that YCUA is now funding.

Mr. Daniels also explained that the matter is in pre-hearing discovery and that there have been four depositions since the last Board meeting, including the deposition of YCUA's expert in Chicago. He pointed out that there are four more depositions to go and there has been some pretrial motion practice that has been significant. Mr. Daniels explained that one of the people that will be deposed on February 4th is Cindy Cezat, WTUA's in-house auditor and CPA, who was present. He further advised that Cindy has been attending all of the depositions that WTUA has taken of YCUA's various witnesses.

Mr. Daniels stated that one of the depositions that is coming up on Wednesday of this week is that of Larry R. Thomas, which will be the last deposition that WTUA's counsel will take. He acknowledged that this is pretty intense pre-hearing discovery and the hearing is scheduled to commence in Ann Arbor on March 19th.

Informational only; no motion from the Board required.

I. Director's Report - Larry R. Thomas

There was no director's report for the month.

4. OLD BUSINESS:

There was no other business for the month.

5. OTHER BUSINESS:

There was no other business for the month.

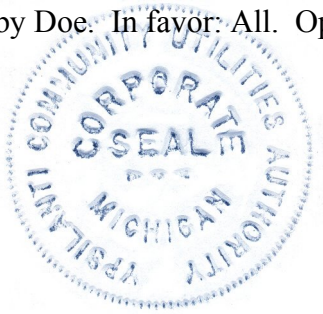
6. STATEMENTS AND CHECKS: Motion by Bass to pay the bills in the amount of \$2,999,404.66 with an addendum in the amount of \$218,048.43. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

7. **PUBLIC COMMENTS:**

There were no public comments for the month.

8. **ADJOURNMENT:** Motion by Bass to adjourn the meeting at 9:53 a.m. Support by Doe. In favor: All. Opposed: None. (Motion carried)

Respectfully submitted,



A handwritten signature in blue ink, appearing to read 'Mark Namatevs', written over a horizontal line.

MARK NAMATEVS, Vice Chair