



# Minutes

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**YPSILANTI COMMUNITY UTILITIES AUTHORITY  
BOARD OF COMMISSIONERS MEETING  
Tuesday, March 25, 2008 – 4:00 p.m.  
YCUA Administration Building  
2777 State Road  
Ypsilanti, MI 48198-9112**

**Members Present:** J. Ray Scott, Mark Namatevs, and Larry J. Doe.

**Members Absent:** Deedra Climer Bass and Gregory A. Peoples.

1. **CALL TO ORDER:** Scott called the meeting to order at 4:01 p.m.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Namatevs to receive and file the minutes of the February 26, 2008 meeting as presented. Support by Doe. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
  - A. **Request to Approve – YCUA Resolution No. 08-1 – Larry R. Thomas**

Mr. Thomas advised the Board that YCUA's auditor recently informed staff that certain expenditures historically made by the Authority are potentially questionable and may need to be noted in YCUA's audit in order to comply with future GAAP rules. He indicated that the auditor suggested that the matter be referred to the Authority's legal counsel as the upcoming GAAP rules needed legal interpretation.

Mr. Thomas also explained that the questionable expenditures were purchases on such things as employee appreciation gifts, employee picnics, retirement recognition gifts, refreshments for employees during training and meetings, and rewards associated with the employee suggestion program. He pointed out that Tom Daniels researched the issue through the Michigan Department of Treasury bulletins and also speaking with the Attorney General's office.

Mr. Thomas explained that it was determined that modest amounts can be spent on these types of expenditures and that it is legal for the Authority to do so if the YCUA Board of Commissioners approves a policy authorizing the same. He further advised that Authority staff members have worked with Mr. Daniels on such a policy and that it has been presented for the Board's approval.

Mr. Thomas stated that the Personnel Committee met last week via a telephone conference and the policy received the committee's endorsement and recommendation for approval by the Board.

Mr. Thomas recommended approval of YCUA Resolution No. 08-1.

Mark Namatevs inquired as to what kind of budget was set aside last year for these expenditures. Mr. Thomas responded that there was approximately \$12,000 earmarked for these purchases.

Thomas E. Daniels advised the Board that while these kinds of purchases might be considered routine business expenditures for a typical corporation, YCUA is subject to a different set of laws in this regard due to the fact that it is a public entity. He indicated that the Department of Treasury recently issued a bulletin that stated, for example, that municipalities cannot even provide coffee to their employees in a break room and that the cost of such items must be borne by the employees.

Mr. Daniels also explained that this memo also stated that food and refreshments also cannot be provided for meetings with attendees outside the organization. He pointed out that other items included were large annual expenditures such as employee picnics.

Mr. Daniels explained that he and Mark Kettner spoke with representatives from the Department of Treasury and that they acknowledged that they had issued the memo with the most conservative viewpoint that they could take in order to assist municipalities and public entities from getting on the "slippery slope" of spending too much money on these things without any benefit to employee morale or the public. He further advised that subsequent discussions led to the conclusion that these kinds of expenditures are appropriate if they are kept to a minimum and established as part of a collective bargaining agreement or a Board-adopted policy.

Mr. Daniels stated that one provision in the resolution provides that this Board will recognize this sort of modest expenditure in order to help sustain and improve YCUA employee morale, retention, cohesiveness, dedication, commitment and job performance and, therefore, to improve the services provided to the public by those employees.

He acknowledged that this ruling dates back several years and affects all publicly held organizations in Michigan.

Mr. Scott commented that he would like to know what the maximum dollar amount of these kinds of expenditures will be so that there can be a tight control on the spending. Mr. Thomas responded that the maximum set aside in the current budget is \$12,000.

Motion by Namatevs to approve YCUA Resolution No. 08-1. Support by Doe. In favor: All. Opposed: None. (Motion carried)

**B. Request to Approve – Purchase of Carbon Scrubber Cassettes Assembly – T. Michael Jessee**

Mr. Jessee reminded the Board that the Authority's carbon scrubber and incinerator have been offline since the holidays. He indicated that staff has been in the process of facilitating the repair to the carbon bed. Mr. Jessee also explained that all of the carbon was removed and the bed inspected. He pointed out that all of the partitions that hold the independent carbon beds in place had deteriorated to the point that they were no longer effective and were causing blockage of the airflow through the carbon bed.

Mr. Jessee explained that, in order to make these repairs, YCUA staff contacted Donau Carbon, the original manufacturer, and asked them for a price to replace the cassettes if YCUA would provide all of the labor with the exception of some supervision that they would provide. He further advised that Donau Carbon responded with a cost of \$116,530 for the materials, \$3,400 for onsite supervision, and \$2,400 for airfare to get the crews here to do the work. Mr. Jessee stated that the total cost comes to \$122,430.

He acknowledged that staff is hoping to expedite the repair because of the costs incurred in disposing of solids otherwise. Mr. Jessee confirmed that hauling sludge to the landfill costs between \$90,000 - \$100,000 per month. He explained that the order has been placed with Donau Carbon and the cassettes are scheduled to arrive at customs on April 18, 2008. Mr. Jessee pointed out that staff hopes to have them installed within a week and have the carbon bed back online. He also stated that staff is requesting a contingency amount of \$18,000 for a grand total of \$140,430.

Mr. Jessee recommended approval of the purchase of Carbon Scrubber Cassettes Assembly in the amount of \$140,430.

Mark Namatevs inquired as to what kind of warranty or service life guarantee comes with this product. Mr. Jessee responded that a one-year warranty for workmanship and materials is customary but because this failure was not caused by either, the warranty does not apply. He indicated that the problem was caused by condensation within the beds combined with the moisture and sulfur attached to the carbon, which created an acid that destroyed the material. Mr. Jessee also explained that YCUA staff is examining the standard operating procedures for this equipment to insure that this does not occur again. He pointed out that the carbon has a normal lifespan of two to three years and the cassettes should last a very long time.

Mr. Jessee explained that included in the SOP review are measurements of the amount of humidity in the air as it reaches the carbon bed and as it exists in the carbon bed, which will indicate how much moisture is being deposited into the carbon bed, and how the bed is being heated prior to introducing sludge into the incinerator. He further advised that monthly inspections will be done in the future and that there will be periodic samples taken which will be evaluated for moisture content.

Mr. Namatevs inquired as to whether there is a water spray as part of this operation. Mr. Jessee responded that there is a water spray at the top of the incinerator that comes on if temperatures reach a certain level. Mr. Namatevs inquired as to whether there were any of those temperature increases during the initial manual running of the incinerator that could have caused this. Mr. Jessee responded that this was considered but that staff does not think it is the source of the problem because, as those emissions come out of the incinerator, they pass through primary and secondary heat exchangers, a wet electrostatic precipitator, a ping spray, and water sprays that remove some of the emissions before it hits the carbon bed. Larry R. Thomas interjected that the air stream is expected to be saturated with humidity at the point it is just about to enter the GAC unit but that it appears that the air was not being heated thoroughly so that the relative humidity dropped to a level where there was a condensation of moisture within the granulated activated carbon.

J. Ray Scott inquired as to whether the landfills have set a deadline on when they will no longer accept YCUA's sludge. Mr. Jessee responded that they will continue to accept the sludge as long as they do not receive odor complaints. He indicated that most of the odor problems occur in the warmer months. Mr. Jessee also explained that staff has been looking into using a temporary lime feed to raise the pH so that those odor issues do not occur but that such a system will be very costly. He pointed out that staff is currently playing a waiting game between the cassettes and lime

addition. Mr. Jessee explained that the Authority is currently so close to repair that it can house the sludge in the event that the landfill stops accepting sludge, provided that the project stays on schedule.

Motion by Doe to approve the purchase of Carbon Scrubber Cassettes Assembly in the amount of \$140,430. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

**C. Request to Approve – Change Order No. 34 re: Wastewater Treatment Plant Expansion / Improvements Project – T. Michael Jessee**

Mr. Jessee advised the Board that this change order represents a reduction in cost of \$79,539. He indicated that the change order addresses four items. Mr. Jessee also explained that item 34-02 is for a cost increase of \$19,718 and addresses multiple items associated with the grit and screen building and the construction that took place there. He pointed out that item 34-04 addresses the final settlement with IDI, the incinerator manufacturer, and results in a reduction of \$79,539.

Mr. Jessee explained that this item was in negotiation for some time. He further advised that YCUA originally requested \$380,000 in liquidated damages and IDI requested \$100,000 for increased costs due to the delay in the start up of the incinerator. Mr. Jessee stated that the final balance was a cost reduction of \$79,539. He acknowledged that this settlement is the result of great effort on behalf of Tom Daniels, Larry R. Thomas, Gwyn Belcher, and the rest of the negotiation team.

Mr. Jessee recommended approval of Change Order No. 34 re: Wastewater Treatment Plant Expansion / Improvements Project for a reduction in cost of \$79,539.

Motion by Doe to approve Change Order No. 34 re: Wastewater Treatment Plant Expansion / Improvements Project for a reduction in cost of \$79,539. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

**D. Request to Approve – Final Change Order re: Sanitary Relining Project – T. Michael Jessee**

Mr. Jessee reminded the Board that they approved this project in mid 2007. He indicated that the final change order has been presented and represents a reduction in cost of \$12,501.80. Mr. Jessee also explained that the change order addresses six items and that the most notable of

those is an \$8,729.60 reduction in the amount of materials used in lining the 8-inch pipe.

Mr. Jessee recommended approval of Final Change Order re: Sanitary Relining Project for a reduction in cost of \$12,501.80.

Motion by Doe to approve Final Change Order re: Sanitary Relining Project for a reduction in cost of \$12,501.80. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

**E. Request to Approve – Vehicle Purchase – T. Michael Jessee**

Mr. Jessee advised the Board that YCUA staff recently underwent formal bidding procedures for the purchase of two half-ton extended cab pickups, one compact mid-size pickup, and one four-door mid-size car. He indicated that four bids were received from Metropolitan Lincoln Mercury, Briarwood Ford, Butman Ford, and Varsity Ford.

Mr. Jessee also explained that this is the second time this project has been bid because the first time there was only one response, that being from Briarwood Ford. He pointed out that Gene Butman did not respond the first time and that he then instructed the Director of Service Operations to contact all of the local automobile dealerships directly and ask why they did not respond. Mr. Jessee explained that there were a range of excuses. He further advised that the second time the job was bid, the bid packets were hand delivered to the sales managers of all of the local vendors. Mr. Jessee stated that Gene Butman did come in the lowest the second time around but there is a stipulation in their bid that the order must be placed by the end of February and no rust proofing was included on two of the trucks. He acknowledged that, for these reasons, the Gene Butman bid was not considered.

Mr. Jessee confirmed that the Authority has been very discouraged with the automotive dealerships in the area in regards to their lack of response to bid requests, particularly in light of the poor economy.

Mr. Jessee recommended approval of the vehicle purchase from Varsity Ford in the amount of \$64,053.

Larry J. Doe inquired as to whether YCUA staff personally communicated with Gene Butman Ford regarding the purchase deadline stipulation. Mr. Jessee responded that they did and received very little response.

Mark Namatevs interjected that he hates to see YCUA go to a dealership in Ann Arbor when a dealership in the Authority's service area came in as the low bidder. He indicated that he is of the opinion that Gene Butman

Ford needs to be given every possible opportunity to re-evaluate their bid. Mr. Jessee responded that he would prefer not to do so as he is of the opinion that YCUA has done its due diligence in this matter on two occasions. Mr. Namatevs also explained that he understands Mr. Jessee's frustration of wanting to give someone the Authority's money and getting a complete and total lack of attention in response. He offered to intervene and call Ken Butman at Gene Butman Ford, with whom he is personally acquainted.

Mr. Doe concurred and added that purchasing from Varsity Ford is also likely to cost the Authority more in the long run when you consider the time and gas to drive to Ann Arbor every time a vehicle needs to be serviced.

J. Ray Scott recommended tabling the matter to allow one more opportunity for Gene Butman Ford to re-evaluate its bid. Mr. Doe suggested that dragging the matter out further might result in the bids expiring and could force YCUA into bidding the purchase out a third time. He recommended a motion to approve the low bid from Gene Butman Ford in the amount of \$63,504.80 contingent upon their promise to honor the bid within the next 10 days or accept the bid from Varsity Ford in the amount of \$64,053. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

**F. Request for Final Acceptance – Bacall Development as a Public Utility**  
– T. Michael Jessee

Mr. Jessee advised the Board that OHM has notified the Authority that this project is complete and constructed within all specifications outlined by YCUA. He indicated that this developer has met all requirements.

Mr. Jessee also explained that the Bacall Development is a strip mall at the corner of Ellsworth and Hewitt. He pointed out that there is one fire hydrant there.

Mr. Jessee recommended acceptance of the Bacall Development project infrastructure as a public utility.

Motion by Namatevs to approve acceptance of the Bacall Development as a public utility. Support by Doe. In favor: All. Opposed: None. (Motion carried)

**G. Fund Balance Report - Larry R. Thomas**

Mr. Thomas directed the Board's attention to the Fund Balance Report for February 29, 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.

**H. Financial Report – Authority Net Assets - Larry R. Thomas**

Mr. Thomas directed the Board's attention to the Financial Report – Authority Net Assets Report for February 29, 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.

**I. 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.

**J. Attorney's Report – Thomas E. Daniels**

Mr. Daniels advised the Board that he has four items to report on. He indicated that the IDI matter has been essentially resolved at this time.

Mr. Daniels also explained that the C.A. Hull litigation involving the damage to the sewer line at I-94 and Harris Road continues as reported before. He pointed out that depositions of some of the project engineering staff took place on March 14<sup>th</sup>.

Mr. Daniels explained that the Meade Westvaco matter involving the air ionization contract is in Federal court and remains precisely where it was the last time the Board met with the exception that rather than arguing the motions pending before the Federal district court on April 4<sup>th</sup>, an order has been received from the court adjourning that hearing to early June. He further advised that the length of the adjournment was a bit of surprise but that the court did this on its own and that there could be a variety of different reasons for it, the most likely being that there were conflicts in the court docket.

Mr. Daniels stated that there has been progress in the pending arbitration with WTUA on the funding for the trust for retired employees health benefits. He acknowledged that a panel of three arbitrators has been agreed upon and appointed by the AAA. Mr. Daniels confirmed that it was quite a drawn out process in that the first three arbitrators were rejected due to very minor conflicts of interest. He explained that a letter

was received about a week ago asking YCUA to submit dates for a pretrial telephone conference with the panel.

Informational only; no motion from the Board required.

**K. Director's Report - Larry R. Thomas**

There was no director's report for the month.

**4. OLD BUSINESS:**

There was no old business for the month.

**5. OTHER BUSINESS:**

There was no other business for the month.

- 6. STATEMENTS AND CHECKS:** Motion by Namatevs to pay the bills in the amount of \$3,409,297.02 with an addendum of \$13,611.50. Support by Doe. In favor: All. Opposed: None. (Motion carried)

**7. PUBLIC COMMENTS:**

Jeffrey L. Williams, former YCUA Director of Finance, thanked the Board and acknowledged the YCUA management team for the great job they have done for YCUA's staff and its customers. The Board, in turn, thanked Mr. Williams for his exemplary service to the Authority

- 8. ADJOURNMENT:** Motion by Namatevs to adjourn the meeting at 4:48 p.m. Support by Doe. In favor: All. Opposed: None. (Motion carried)



Respectfully submitted,

DEEDRA CLIMER BASS, Secretary/Treasurer

## YCUA RESOLUTION NO. 08-1

Minutes of a regular meeting of the Board of Commissioners of the Ypsilanti Community Utilities Authority, County of Washtenaw, Michigan, held in the Authority, on the 25<sup>th</sup> day of March 2008 at 4:00 o'clock p.m., Eastern Daylight Time.

PRESENT: Commissioners J. Ray Scott, Mark Namatevs, and Larry J. Doe.

ABSENT: Commissioners Deedra Climer Bass and Gregory A. Peoples.

The following preamble and resolution were offered by Commissioner Namatevs and supported by Commissioner Doe:

WHEREAS,

1. YCUA has, in the past, spent modest amounts of YCUA funds for certain similar purposes including employee picnics, gifts to YCUA employees annually during Customer Service Appreciation Week, the occasional provision of refreshments at YCUA offices and other work sites, framed retirement recognition Board Resolutions and similar inexpensive means of recognizing employee retirements and service to the organization and the public served by YCUA, similar recognition for departing Board members, small gifts to employees as a means of recognizing extraordinary or exemplary work performance, food and refreshments at employee training and educational sessions, a "suggestion box" program by which employees may receive paid time off or small gifts when an employee suggestion that improves safety or efficiency within the organization is adopted, and similar means of recognizing employee performance and expressing appreciation to YCUA employees and for their service to this community and YCUA's customers and contract communities.

2. Many of these means of recognition and expressions of appreciation have been eliminated in recent years based on recommendations from YCUA's counsel and auditors, which have been, in part, based on the Michigan Department of Treasury's *Bulletin for Auditors of Local Units of Government*, which, in part, expresses the view that some of these types of expenditures of public funds

are, in general, unlawful unless provided for in a collective bargaining agreement or written policy, and that gatherings of public entity employees (annual picnics, for example) are not a permitted expenditure of “public” funds unless the public is invited to such events.

3. This Department of Treasury Bulletin, however, states that is not intended to serve as a “legal interpretation” and it specifically advises public entities to consult with legal counsel for the purpose of obtaining a legal opinion on such issues.

4. YCUA has obtained such a legal opinion which expresses the view that the Department of Treasury’s position on these issues is too narrow and that, as a matter of law, such means of employee recognition and expressions of appreciation for employee performance are proper and legal when the amount of the expenditure is reasonable in relation to the benefit to the public derived therefrom. Furthermore, and consistent with the Michigan Department of Treasury, it is the opinion of YCUA’s counsel that such expenditures are legitimate when they serve a public purpose and are authorized by a written policy, and certain gatherings and events where YCUA employees are called together are legal when the cost thereof is more nominal, and are clearly proper when the public, too, is invited to attend such a gathering.

5. Finally, it is this Board’s determination, and is and has been the determination of YCUA’s management, that the means of recognition and expressions of appreciation for employee work performance described in this Resolution do, in fact, sustain and improve YCUA employee morale, retention, cohesiveness, dedication, commitment and job performance and, therefore, are directly linked to and do improve the services that are provided to the public by YCUA employees and are, to that extent, a concrete and identifiable benefit to the public that is served by YCUA.

THEREFORE, it is hereby resolved as follows,

1. The following expenditures for YCUA employees and the public served by YCUA, within management’s reasonable discretion, are authorized: nominally expensive means of recognizing

employee and Board member retirements and service to YCUA; nominally expensive means of recognizing employee work performance, including inexpensive employee gatherings; nominally expensive means of awarding qualifying employee suggestions; the provision of light refreshments and food (such as coffee and donuts) at YCUA meetings held for the purpose of employee education, training, or a similar purpose; and, the provision of such refreshments and food at other YCUA meetings, at which YCUA employees are in attendance, held in the normal and typical course of business for the purpose of conducting YCUA business.

2. YCUA may, within management's reasonable discretion, host certain public events (such as a ribbon-cutting ceremony for the soon-to-be completed expansion of the YCUA wastewater treatment plant) and similar events, assuming the public is invited to attend.

3. YCUA will not, as a matter of policy, spend funds on annual employee picnics, retirement parties, or similarly more expensive employee gatherings because, unlike the expenditures identified above, the cost of such gatherings is not proportional to the actual or potential public benefit.

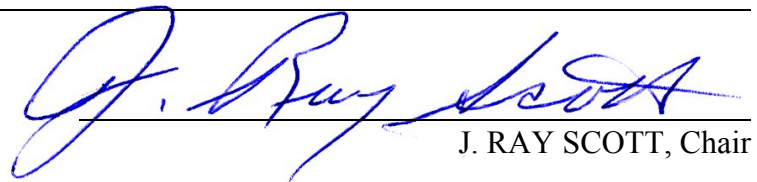
4. This policy and Resolution is subject to amendment, revision, or revocation at any time and in the sole and absolute discretion of this Board of Commissioners.

AYES: Commissioners J. Ray Scott, Mark Namatevs, and Larry J. Doe.

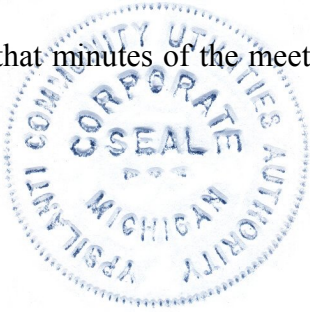
NAYS: Commissioners None.

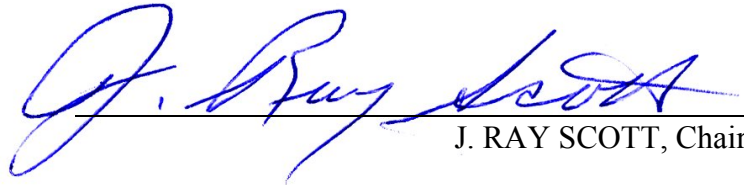
RESOLUTION DECLARED ADOPTED.



  
J. RAY SCOTT, Chair

I hereby certify that the attached is a true and complete copy of a resolution adopted by the Board of Commissioners of the Ypsilanti Community Utilities Authority, County of Washtenaw, State of Michigan, at a regular meeting held on the 25<sup>th</sup> day of March 2008 and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976 and that minutes of the meeting were kept and will be or have been made available as required by said Act.



  
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J. RAY SCOTT, Chair