



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, June 27, 2006 – 4:00 p.m.
YCUA Administration Building
2777 State Road
Ypsilanti, MI 48198-9112**

Members Present: Larry J. Doe, Edward B. Koryzno, Jr., and Philip W. Wagner.

Members Absent: Mark Namatevs and J. Ray Scott

1. **CALL TO ORDER:** Doe called the meeting to order at 4:05 p.m.
2. **MINUTES OF THE PREVIOUS MEETING:** Motion by Wagner to receive and file the minutes of the May 23, 2006 meeting. Support by Koryzno. In favor: All. Opposed: None. (Motion carried.)

3. **NEW BUSINESS:**

A. **Rehmann Robson Audit Contract Three-Year Extension** - Larry R. Thomas

Mr. Thomas directed the Board's attention to a letter from the Authority's auditor, Mark Kettner of Rehmann Robson, regarding the extension of the audit contract for three years with an option for an additional two years. He indicated that Rehmann Robson was selected in 2003 through an RFP process and has performed well through the three audit seasons. Mr. Thomas also explained that staff is in agreement that the Authority would be well served to continue with Rehmann Robson's services for an additional three years with the two optional years. He pointed out that the RFP and selection process associated with choosing an auditing firm is time consuming and that he does not feel the effort involved is worth the potential reduction in costs possible through an RFP process. Mr. Thomas explained that the letter enclosed lists the price for each year of the agreement.

Mr. Thomas recommended approval of the selection of Rehmann Robson as auditor for the Authority for three years with an option for an additional two years.

Edward B. Koryzno, Jr. concurred with the recommendation and indicated that the Authority has been well served by Rehmann Robson.

Motion by Koryzno to approve the selection of Rehmann Robson as auditor for the Authority for three years with an option for an additional two years. Support by Wagner. In favor: All. Opposed: None. (Motion carried)

B. Draft Budget for Fiscal Year 2006 – 2007 - Larry R. Thomas

Mr. Thomas directed the Board's attention to a draft budget for fiscal year 2006 – 2007. He indicated that the budget is for their review and that it is not necessary at this meeting to approve a budget. Mr. Thomas also explained that the Board must approve a budget prior to September 1, 2006. He pointed out that the budget is conservatively built with little increase in water or sewage usage. Mr. Thomas explained that the increase in the cost of purchased water from DWSD was 11.3% and increases in labor, utilities, and depreciation have increased expenses. He further advised that, to keep rate increases down as much as possible, there is little money generated for capital expenditures.

Mr. Thomas then gave a detailed reporting of the contents of the draft budget and addressed questions from the Board.

Edward B. Koryzno, Jr. suggested that, in light of the narrow margin of cash flow in the proposed budget and the depreciation issues, it would be prudent for the Finance Committee to do a series of long-term projections and formulate some recommendations in order to be proactive with future budgeting issues. Mr. Thomas concurred and indicated that staff plans to fund the depreciation over a few years.

Informational only; no motion from the Board required.

C. Request to Approve – Water and Sewer Rate Increase Recommendation - Larry R. Thomas

Mr. Thomas advised the Board that the aforementioned budget includes rate increases of Township water – 9%, City water – 5%, and City and Township sewer – 3%. He indicated that these increases allow the budget to cover operating expenses as well as bond principal payments. Mr. Thomas also explained that these modest rate increases allow the Authority to generate enough income to cover operations and maintenance expenses and the bond principal payments expected for the fiscal year 06 - 07. He pointed out that, in order to have these increases take effect by September 1st, the process needs to be initiated at this time. He further advised that these are the rate increases included in the draft budget. Mr. Thomas stated that approval of this recommendation will allow the process to begin with City Council and the Township Board to enact these increases.

He added that another item that will be recommended in this year's budget is the elimination, effective January 1, 2007, of the customer cost recovery fee in the wastewater revenue and rate calculation. Mr. Thomas explained that this is the fee that tax-exempt properties pay in both the city and the township and originated when a millage was passed to pay for the cost of the bond payments for the original construction. He added that the last bond payment is due in 2007, which calls for an elimination of the CCR.

Mr. Thomas recommended approval of a 9% increase in the Township water rate and the recommendation for a 5% water increase in the City Division and a 3% sewer increase in both divisions.

Edward B. Koryzno, Jr. suggested that perhaps it would be wiser to put the CCR on hold, rather than eliminate it completely, so that, in the event that the city and township need to establish an ad velorum millage in the future, the charge can be automatically put into effect. Mr. Thomas responded that he would have to research that possibility and indicated that he had no knowledge of the applicable legal implications.

Motion by Koryzno to approve a 9% increase in the Township water rate and the recommendation for a 5% water increase in the City Division and a 3% sewer increase in both divisions. Support by Wagner. In favor: All. Opposed: None. (Motion carried)

D. Request to Approve - Pine View Pumping Station Bypass Piping Contract - T. Michael Jessee

Mr. Jessee directed the Board's attention to his letter regarding the installation of bypass pumping capability to the Authority's Pine View pump station. He indicated that YCUA entered into a District Compliance Agreement with MDEQ several years ago requiring it to install bypass piping to many of the Authority's sewage pump stations. Mr. Jessee also explained that, for the most part, these projects are done in-house with YCUA personnel. He pointed out that the Pine View pump station is too deep for the Authority's equipment to handle and we have requested bids for the project. Mr. Jessee explained that YCUA's engineering staff prepared the plans and the bidding documents. He further advised that four prospective bidders requested bidding documents but only one bid was received. Mr. Jessee stated that the sole bid, from CI Contracting, was for \$48,583. He acknowledged that staff has reviewed the bid and it is in order. Mr. Jessee confirmed that this project must be completed for YCUA to stay in compliance with its agreement with MDEQ. He explained that this item is in the current budget and it is recommended that reserve for construction funds be used.

Mr. Jessee recommended approval of the award of bid to CI Contracting in the amount of \$48,583 and a recommendation to the Township Board for the use of reserve for construction funds.

Edward B. Koryzno, Jr. inquired as to why there was only one bidder. Mr. Jessee responded that this job is too large for small contractors and too small for larger contractors.

Larry J. Doe inquired as to whether this project includes any of the other four bypass stations. Mr. Jessee responded that the other bypass projects would be done in-house for approximately \$4,500 each for material and equipment and should be completed over the next five years.

Motion by Wagner to approve the award of bid to CI Contracting in the amount of \$48,583 and a recommendation to the Township Board for the use of reserve for construction funds. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

E. Request to Approve - Forest Avenue Construction Services Proposal - T. Michael Jessee

Mr. Jessee advised the Board that the City of Ypsilanti will be doing roadwork on Forest Avenue this year. He indicated that again, in conjunction with this project, the water main will be replaced. Mr. Jessee also explained that the contract for replacement will be a city contract covering both the road improvements and water main. He pointed out that, as in the past, YCUA will contract with OHM for the construction phase engineering services associated with the water main replacement. Mr. Jessee explained that, as the water main will become an asset for YCUA to maintain, it is staff's opinion that YCUA should contract with the engineer for these services. He further advised that this project is being funded by city bond proceeds.

Mr. Jessee recommended approval of the engineering services proposal for Forest Avenue construction in the amount not to exceed \$45,400.

Motion by Koryzno to approve the engineering services proposal for Forest Avenue construction in the amount not to exceed \$45,400. Support by Wagner. In favor: All. Opposed: None. (Motion carried)

F. Request for Final Acceptance - Party Time Ice Project 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 recommended acceptance of the Party Time Ice project infrastructure as a public utility.

Motion by Wagner to approve acceptance of the Party Time Ice project infrastructure as a public utility. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

G. Request for Final Acceptance - Charles Reinhart Office Building Project 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 recommended acceptance of the Charles Reinhart office building project infrastructure as a public utility.

Motion by Wagner to approve acceptance of the Charles Reinhart office building project infrastructure as a public utility. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

H. Request for Final Acceptance - Huron Valley School Project 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 recommended acceptance of the Huron Valley School project infrastructure as a public utility.

Motion by Wagner to approve acceptance of the Huron Valley School project infrastructure as a public utility. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

I. Request to Approve - Change Order No. 29 re: Wastewater Treatment Plant Expansion/Improvements Project - T. Michael Jessee

Mr. Jessee directed the Board's attention to Change Order No. 29 for the WWTP expansion/improvements project as well as his memo regarding the change order. He indicated that the change order covers several items addressed in his memo and represents a decrease in the project cost in the amount of \$142,738. Mr. Jessee also explained that this change order brings total changes to \$3,910,017. He pointed out that the change order addresses items that were discovered during the project as well as changes that staff requested.

Larry R. Thomas interjected that staff has discovered an inconsistency in the contingency trust fund, which effects the amount that is available to complete the project. He indicated that, by his calculations, there should be \$682,000 remaining when, in fact, there is \$427,000, creating a \$255,000 variance. Mr. Thomas added that he has been able to contribute some of the discrepancy to the fees that are paid to the Bank of Ann Arbor to administer the trust. He advised that he did not realize those fees would be separated; he thought the interest amount in the bank statements is net, which resulted in \$108,000 in fees that were not calculated into the fund. Mr. Thomas also indicated that there were also several small payments

made to contractors and entities other than Spence, Christman, or Tetra Tech MPS, which total approximately \$19,000. He stated that he continues to research the origin of the other costs and suggested that there may have been some of the original design costs paid out of the bond proceed funds, which should have been paid from lease funds and can be transferred back to the trust. He advised there is approximately \$197,000 worth of change orders forthcoming, 28% of which will be YCUA's responsibility, creating an overall contingency trust fund shortfall of \$51,000. Mr. Thomas also indicated that the Finance Committee is presently considering a budget amendment from Tetra Tech MPS that will increase that shortfall. He stated that he hoped to have a recommendation in place for the July Board meeting that will allow the transfer of funds from the lease fund to the expansion project contingency trust fund.

Mr. Jessee recommended approval of Change Order No. 29 in the credit amount of \$142,738.

Motion by Koryzno to approve Change Order No. 29 in the credit amount of \$142,738. Support by Wagner. In favor: All. Opposed: None. (Motion carried)

J. Fund Balance Report - Larry R. Thomas

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

Mr. Thomas pointed out that the report shows a cash shortfall in both City and Township Divisions, which is the result of bond payments made in the spring as well as payments made on capital improvements from the fund balance rather than revenues.

Informational only; no motion from the Board required.

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

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

Edward B. Koryzno, Jr. inquired as to whether there is potentially going to be a cash loss above and beyond the depreciation issue. Mr. Thomas responded affirmatively, but indicated that the money will be recouped from the Reserve for Construction Fund.

Informational only; no motion from the Board required.

L. 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 reports and answered questions from the Board.

Edward B. Koryzno, Jr. thanked Jeffrey L. Williams for putting the report in a format that is much easier to understand.

Informational only; no motion from the Board required.

M. Director's Report - Larry R. Thomas

Mr. Thomas reiterated his email from earlier in the week that indicated the Authority has declined to accept the DWRF loan due to a difficulty with one of the bidders, which resulted in a concern that YCUA would not be entering into a contract with the low bidder. He indicated that because there is some question about being able to contract with the second bidder, the project could not proceed. Mr. Thomas advised that the Authority will re-bid the project at a later date in the hopes that they can resume early next year.

Philip W. Wagner inquired as to whether it would be prudent to include in the Authority's financial policy language requiring performance bonds for all projects over \$50,000. Mr. Thomas responded that YCUA does require performance bonds for all projects but that the problem occurred in that selecting the second highest bidder could possibly result in the Authority being responsible for the costs.

Edward B. Koryzno, Jr. suggested that staff put together some recommendations on this issue to the Finance Committee for their consideration.

Larry R. Thomas then advised the Board that the Authority has had a successful run of the replacement incinerator beginning two weeks prior and that the performance testing is scheduled to re-commence on July 17th.

4. OLD BUSINESS:

There was no old business for the month.

5. OTHER BUSINESS:

Edward B. Koryzno, Jr. commented that he recently had first hand experience as a customer of YCUA and that the two Authority employees that came to his residence to televise his sewer lead were very professional and knowledgeable and did a great job.

Philip W. Wagner commented that he, too, had experience the week previous with a customer in Ypsilanti Township that had a sewer problem at Georgina and Jeffrey. He indicated that the customer had nothing but praise for the YCUA service crew that responded.

T. Michael Jessee advised the Board that the Authority is proceeding with the Textile Water Main Project Phase II. He recommended approval of the project with a budget not to exceed \$250,000.

Motion by Wagner to approve the Textile Water Main Project Phase II project with a budget not to exceed \$250,000. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

Philip W. Wagner interjected that he is aware that staff is working on the Tuttle Hill side from Textile south and inquired as to whether there is a need to do anything more with that portion. T. Michael Jessee responded that the water main there is in good condition and no work is required there. He indicated that the same held true for the sanitary main.

Mr. Jessee then directed the Board attention to a Construction Engineering Proposal from OHM in conjunction with the same project. He recommended approval of the proposal in an amount not to exceed \$37,000.

Motion by Wagner to approve the Construction Engineering Proposal from OHM in an amount not to exceed \$37,000. Support by Koryzno. In favor: All. Opposed: None. (Motion carried)

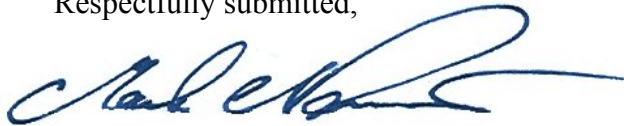
6. **STATEMENTS AND CHECKS:** Motion by Doe to pay the bills in the amount of \$2,359,861.28 plus an addendum in the amount of \$3,718,304.32. Support by Wagner. In favor: All. Opposed: None. (Motion carried.)

7. **PUBLIC COMMENTS:**

There was no old business for the month.

8. **ADJOURNMENT:** Motion by Koryzno to adjourn the meeting at 4:59.m. Support by Wagner. In favor: All. Opposed: None. (Motion carried)

Respectfully submitted,



MARK NAMATEVS, Secretary/Treasurer

