



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, July 22, 2008 – 9:00 a.m.
YCUA Administration Building
2777 State Road
Ypsilanti, MI 48198-9112**

Members Present: J. Ray Scott, Deedra Climer Bass, and Gregory A. Peoples.

Members Absent: Mark Namatevs and Larry J. Doe.

1. **CALL TO ORDER:** Scott called the meeting to order at 9:03 a.m. Items originally to be presented by T. Michael Jessee were presented by Larry R. Thomas in Mr. Jessee's absence.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Peoples to receive and file the minutes of the June 24, 2008 meeting as presented. Support by Bass. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
 - A. **Request to Approve – Michigan Municipal League Workers' Compensation Fund Vote for Trustee – Larry R. Thomas**

Mr. Thomas advised the Board that YCUA is a member of the Michigan Municipal League Workers' Compensation pool and, as such, has voting rights for the Board of Trustees that oversees the fund. He indicated that nine incumbent trustees are seeking re-election and that the nominating committee is recommending an affirmative vote on the nine nominees.

Mr. Thomas also explained that the YCUA Board may vote for the nine recommended nominees or it can choose to write in one or more if it so desires.

Mr. Thomas recommended approval of the Michigan Municipal League Workers' Compensation Fund vote for Board of Trustees as presented.

Gregory A. Peoples inquired as to whether the nine incumbents are running unopposed. Mr. Thomas responded that he has no knowledge of any other nominees.

Motion by Peoples to approve the Michigan Municipal League Workers' Compensation Fund vote for Board of Trustees as presented. Support by Bass. In favor: All. Opposed: None. (Motion carried)

B. Request to Approve – Fiscal Year 2008 – 2009 Authority Budget –
Larry R. Thomas

Mr. Thomas advised the Board that the draft budget for fiscal year beginning September 1, 2008 has been prepared. He indicated that, as the economy of the area is weak, the budget is bare-bones and shows a loss of \$7.8 million. Mr. Thomas also explained that included in that loss is \$11.3 million in depreciation in the operating expenses. He pointed out that, with the depreciation added back, the cash generated by the Authority is then adequate to repay the bond payments due during the fiscal year and will generate cash slightly over \$300,000 for capital acquisition and capital improvement-type projects.

Mr. Thomas explained that the budget contains a sewage rate increase of 3.5%. He further advised that this increase is needed to offset costs of utilities, electricity, natural gas, gasoline, and diesel fuel that are increasing at rates higher than inflation, as well as increasing labor costs from the multi-year contracts with the Authority's unions. He acknowledged that there is no water rate increase budgeted as the new contract with DWSD allows YCUA to more effectively use its storage facilities and better control the rate that it is charged by DWSD.

Mr. Thomas confirmed that the City Division surcharge is reduced in this budget by 2% from 80% to 78%. He explained that collections from the surcharge at 78% are estimated to be sufficient to pay the debt payments of the City Division for the year.

Mr. Thomas pointed out that, with these changes, the effective increase in water / sewer bill for users in the City Division is .6% and 1.8% in the Township Division. He also stated that these increases are below the inflation rate.

Mr. Thomas advised the Board that the budgeting for revenue generated is based roughly on the same usage as the previous year with a slight shift in the divisions. He indicated that revenues are down slightly in the City due to the closing of the ACH plant and are up slightly in the Township. Mr. Thomas also explained that staff is anticipating reduced usage in the Township Division at Powertrain and Ford but, with slight increases from

Pittsfield and some other contract communities, it is estimated that there will be similar or slightly higher usage as compared to the current year. He pointed out that WTUA is budgeted for the same flow as last year.

Mr. Thomas explained that, overall, the revenue is a conservative estimate and expenses as stated are up slightly. He further advised that labor costs are up about 3% and benefits are up overall about 2%. Mr. Thomas stated that overall operating expenses are up about 2.5% but, without depreciation being included, they are only up about 2.3%. He acknowledged that YCUA staff is doing an excellent job of containing costs as best they can.

Mr. Thomas confirmed that the number of employees remains unchanged. He explained that the budget also contains \$19.3 million in capital projects but that he does not anticipate all of them will actually be accomplished. Mr. Thomas pointed out that some capital projects are included in the budget just to keep them on the radar. He also stated that, if funds become available and revenue generation is better than expected, more of the capital projects can proceed. Mr. Thomas advised the Board that, of the \$19.3 million, only \$1.5 million are slated to be paid through unrestricted operating funds with the remainder to be paid through bonds or fund balance.

He indicated that the YCUA Finance Committee met the week previous and reviewed the budget in more detail and that they are recommending approval of the budget along with the management discussion and analysis, which is an overview of the presentation to the Board. Mr. Thomas also explained that, along with the Board's approval of the budget, he asks that they also make a recommendation to the City of Ypsilanti and Charter Township of Ypsilanti to increase the sewer rate by 3.5% as well as a recommendation to the City of Ypsilanti to decrease the surcharge rate by 2%. He pointed out that the sewer rate increases require ordinance revisions, which must be approved by the Township Board of Trustees and City Council.

Mr. Thomas recommended approval of Fiscal Year 2008 – 2009 Authority Budget as presented by the Finance Committee along with recommendations to the City and Township officials for a 3.5% sewer rate increase and the Ypsilanti City Council for a 2% decrease in the surcharge rate.

Gregory A. Peoples inquired as to how these percentages translate into dollars. Mr. Thomas responded that an average user in the Township Division would see an increase of approximately \$1.30 for two months and the average user in the City Division would see an increase of about

\$.75 for two months. He added that, once the budget is approved by the YCUA Board and the Township Board and City Council, these increases will be communicated to the public in the form of the resident newsletter that comes out in the fall.

J. Ray Scott interjected that he feels it is important that the public be made aware in advance when an increase is likely to occur and that, when the actual amount is determined, the effects be translated into dollars and cents. Gwyn Belcher added the *The Ann Arbor News* has historically done a very good job of communicating forthcoming rate increases in a timely manner and in a way that is understood by the public.

Motion by Peoples to approve Fiscal Year 2008 – 2009 Authority Budget as presented by the Finance Committee along with recommendations to the City and Township officials for a 3.5% sewer rate increase and the Ypsilanti City Council for a 2% decrease in the surcharge rate. Support by Bass. In favor: All. Opposed: None. (Motion carried)

C. Request to Approve - Holmes Road Water Storage Tank Coating –
Larry R. Thomas

Mr. Thomas advised the Board that the Authority's Holmes Road water storage tank is one of the tanks that allows for the effective control of water draw from the DWSD system. He indicated that this tank and several more like it provide storage for daily equalization of usage and for fire protection in the system. Mr. Thomas also explained that these tanks need periodic painting to insure the integrity of the structure against corrosion. He pointed out that an inspection proposal was requested last year from Dixon Engineering, who is the Authority's water tank consultant.

Mr. Thomas explained that, as a result of this inspection, Dixon Engineering recommended that it is time for painting both inside and outside the tank and the addition of cathodic protection. He further advised that Dixon prepared the bidding documents, which were advertised per YCUA's specifications and purchasing policy. Mr. Thomas stated that seven bids were received ranging from \$226,750 to \$937,180. He acknowledged that the low bid was from A & S Industrial Coatings in Warren.

Mr. Thomas confirmed that the bids were reviewed and staff and Dixon are recommending approval of the low bid from A & S Industrial Coatings in the amount of \$226,750, along with a contingency budget of \$33,250, for a total project cost of \$260,000 to be paid from the O & M budget.

Mr. Thomas recommended approval of the Holmes Road Water Storage Tank Coating contract to A & S Industrial Coatings in the amount of \$226,750, along with a contingency budget of \$33,250, for a total project cost of \$260,000 to be paid from the O & M budget.

Deedra Climer Bass inquired as to whether the engineering construction proposal in item 3.D is relative to a standard policy of having the overseeing of the project done by a party other than that doing the actual work. Mr. Thomas responded affirmatively.

Motion by Bass to approve the Holmes Road Water Storage Tank Coating contract to A & S Industrial Coatings in the amount of \$226,750, along with a contingency budget of \$33,250, for a total project cost of \$260,000 to be paid from the O & M budget. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

D. Request to Approve – Holmes Road Water Tank Construction Proposal – Larry R. Thomas

Mr. Thomas advised the Board that YCUA staff requested a proposal from Dixon Engineering for construction observation services for the Holmes Road water tank construction project as previously discussed. He indicated that their proposal in the amount of \$32,036.

Mr. Thomas recommended approval of the Holmes Road water tank construction project proposal from Dixon Engineering in the amount of \$32,036.

Motion by Peoples to approve the Holmes Road water tank construction project proposal from Dixon Engineering in the amount of \$32,036. Support by Bass. In favor: All. Opposed: None. (Motion carried)

E. Request to Approve - Final Change Order re: Sanitary Sewer Relining Project – Larry R. Thomas

Mr. Thomas directed the Board's attention to the final change order for the sanitary sewer relining project. He indicated that this change order reflects a decrease in the project cost of \$55,413.

Mr. Thomas also explained that some of the major increases include \$7,000 in additional costs involving a 10-inch sanitary pipe being discovered in a lengthy section which was shown to be eight-inch pipe in the prints as well as some inaccuracies in the prints of the exact footage of the sewer runs. He pointed out that the major cost decreases deal with the elimination of two runs of storm sewer pipe, which were to have been paid by the City of Ypsilanti. Mr. Thomas explained that the city elected not to

proceed with that particular project. He further advised that the combined changes result in an overall reduction in cost of \$55,413 for a total project cost of \$241,627.

Mr. Thomas recommended approval of the Final Change Order re: Sanitary Sewer Relining Project in the amount of \$55,413 for a reduced project cost of \$241,627.

J. Ray Scott inquired as to whether YCUA is likely to incur higher costs in the long run when the city opts out of projects such as this. Mr. Thomas responded that the delay may cost the City more per foot but that YCUA will not incur additional costs because the storm sewer is the City's responsibility and the Authority has no financial obligation to that particular infrastructure.

Motion by Peoples to approve the Final Change Order re: Sanitary Sewer Relining Project in the amount of \$55,413 for a reduced project cost of \$241,627. Support by Bass. In favor: All. Opposed: None. (Motion carried)

F. Request to Approve - Road Repair Project – Larry R. Thomas

Mr. Thomas advised the Board that, each year, YCUA bids out the road repairs for the previous year's cuts into the streets in the City and Township. He indicated that this year's RFP was prepared and advertised pursuant to the Authority's purchasing policy and specifications. Mr. Thomas also explained that five bids were received with a low bid from Central Construction, Inc. in Livonia in the amount of \$127,125.

Mr. Thomas recommended approval of the 2008 road repair contract with Central Construction, Inc. in Livonia in the amount of \$127,125, with a contingency amount of \$32,875, for a total project budget of \$160,000.

Gregory A. Peoples inquired as to why there is such a significant difference in the costs between the various bidders and whether Mr. Thomas has any concerns about the lowest price reflecting an inferior level of service. Mr. Thomas responded that he is of the opinion that the wide variance in the bids is a reflection of the economy and certain contractors becoming more aggressive in their bids for work. Mr. Scott interjected that, from his experience, bid prices are usually more reasonable from contractors that have a working relationship with YCUA because there are fewer peripheral costs involved.

Deedra Climer Bass inquired as to whether there is standard methodology for determining contingency budgets on projects such as this. Mr. Thomas responded that contingency amounts are project dependent and that, the

more difficult a job is to accurately estimate, the larger the contingency is likely to be.

Mr. Scott added that there is a difference between contingencies and change orders and that is one of things that were closely examined during the Authority's recent financial experiences. He added that staff making sure there is enough in the contingency to cover some of these change orders makes it a little more comfortable changing every month when the project proceeds.

Motion by Peoples to approve the 2008 road repair contract with Central Construction, Inc. in Livonia in the amount of \$127,125, with a contingency amount of \$32,875, for a total project budget of \$160,000. Support by Bass. In favor: All. Opposed: None. (Motion carried)

G. Request for Final Acceptance - Huron Commons Development Project as a Public Utility – Larry R. Thomas

Mr. Thomas advised the Board that the Huron Commons Condominium Development has completed all of its requirements for acceptance as a public utility. He indicated that the maintenance and guarantee bond has been posted. Mr. Thomas also explained that this development is located in Ypsilanti Township.

Mr. Thomas recommended acceptance of Huron Commons Condominium Development as a public utility.

Motion by Bass to accept Huron Commons Condominium Development as a public utility. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

H. Fund Balance Report - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Fund Balance Report for June 30, 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. Financial Report – Authority Net Assets - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Financial Report – Authority Net Assets Report for June 30, 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.

J. 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.

K. Attorney's Report – Thomas E. Daniels

Mr. Daniels advised the Board that, as he reported last month, discovery is complete in the C.A. Hull litigation regarding the damage during the I-94 sound wall construction. He indicated that a detailed letter was sent to staff on the status of YCUA and C.A. Hull's insurance carrier moving into some settlement discussion. Mr. Daniels also explained that it was anticipated last month that URS, the engineering firm involved in the project, was going to file a motion to dismiss by the deadline. He pointed out that URS did not file and is still in the case. Mr. Daniels explained that this may be helpful in that the Authority will have two parties to negotiate a settlement with rather than just one.

He further advised that discovery is ongoing in the Meade Westvaco matter after their motion to dismiss was denied last month. Mr. Daniels stated that YCUA is presently waiting for a significant number of documents that have been requested from them.

He acknowledged that there is some new information to report on the WTUA arbitration. Mr. Daniels confirmed that a preliminary telephone conference hearing with opposing counsel and a two-member arbitration panel that was previously scheduled on the morning of July 17th was canceled when opposing counsel requested that the arbitration scheduled for October be adjourned because of conflicts in her schedule that were beyond her control. He explained that he knew of this request in advance and discussed it with YCUA management and it was decided that there would be no objection to the adjournment.

Mr. Daniels pointed out that the adjournment was granted and the hearing has been moved to January of 2009. He also stated that this provides the Authority with additional time to do the very substantial amount of work that is presently under way and will need to be completed prior to the hearing.

Mr. Daniels advised the Board that the ABC Paving oral argument was held in the Court of Appeals on July 1st and, as predicted last month, YCUA is presently awaiting a report from the court. He indicated that

there is no hint from the oral argument as to how the court will rule on the case. Mr. Daniels also explained that a letter report to management will be available after the court gives its ruling, which will be provided to the Board as well.

Informational only; no motion from the Board required.

N. Director's Report - Larry R. Thomas

Mr. Thomas advised the Board that YCUA Finance Director Dwayne Harrigan recently suggested the utilization of the Michigan Intergovernmental Trade Network (MITN), which is a system of procuring bids and quotes online from a large group of suppliers along with a number of other municipalities across the state. He indicated that Mr. Harrigan worked with MITN during his previous employment and is now sharing his knowledge of the network with the YCUA staff. Mr. Thomas also explained that the use of the MITN system is likely to result in reduced costs for the Authority. He pointed out that MITN will be used as a supplement to YCUA's existing policies but that a revision to the purchasing policy may be forthcoming. Mr. Thomas explained that some other types of advertising, such as newspapers, have become antiquated and are no longer cost-effective.

Informational only; no motion from the Board required.

4. OLD BUSINESS:

O. Settlement of Lawsuit by Scott Martin – Larry R. Thomas

Mr. Thomas advised the Board that this particular item has progressed more quickly than anticipated. He indicated that a signed agreement has been obtained to settle the lawsuit by former YCUA employee Scott Martin. Mr. Thomas also explained that the Authority's liability insurance carrier has reached a tentative settlement with Mr. Martin, which matches the offer that the Board previously found acceptable and which was originally offered to Mr. Martin. He pointed out that the YCUA Personnel Committee has considered the settlement agreement and is recommending approval of the same.

Mr. Thomas recommended approval of the settlement agreement with Scott Martin as presented.

Mr. Scott commented that the YCUA Human Resources department gave this matter a great deal of due diligence and that the results are very favorable. He expressed his appreciation for those efforts. Ms. Bass concurred that she is glad that this matter is concluded.

Motion by Bass to approve the settlement agreement with Scott Martin as presented. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

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 \$3,126,713.17 with no addendum. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

7. PUBLIC COMMENTS:

There were no public comments for the month.

- 8. ADJOURNMENT:** Motion by Peoples to adjourn the meeting at 9:55 a.m. Support by Bass. In favor: All. Opposed: None. (Motion carried)



Respectfully submitted,

DEEDRA CLIMER BASS, Secretary/Treasurer