



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, July 24, 2007 – 4:00 p.m.
YCUA Administration Building
2777 State Road
Ypsilanti, MI 48198-9112**

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

Members Absent: None.

1. **CALL TO ORDER:** Doe called the meeting to order at 4:01 p.m. Attorney Kevin Summers was present for Thomas E. Daniels.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Peoples to receive and file the minutes of the June 26, 2007 meetings. Support by Scott. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
 - A. **Request to Approve – Fiscal Year 2007 - 2008 Draft Budget** - Larry R. Thomas

Mr. Thomas directed the Board's attention to the proposed budget for the fiscal year 2007 – 2008 and provided them with a detailed reporting of its contents. He indicated that the budget is YCUA's spending plan for the year beginning September 1, 2007. Mr. Thomas also explained that staff is projecting an increase in revenue of about \$1.2 million in spite of a decrease in both water and sewer sales in the two member communities due to the expected closure during the coming year of the ACH facility in the city and the Ford Plant in the township.

He pointed out that WTUA sales are projected to increase by about \$835,000 and additional revenue is budgeted from our sewer contracts with Pittsfield, Augusta, and York townships. Mr. Thomas explained that

expenses are anticipated to increase by \$2.4 million. He further advised that slightly over \$1 million of the increase is due to depreciation with the remainder of the increases spread over the departments with the most significant increases in utilities, benefits, and Detroit water.

Mr. Thomas stated that the draft budget proposes a water rate increase in the city and township of 5.14%, which is identical to the increase the Authority received from DWSD. He acknowledged that also proposed is a sewer rate increase of 3% in both divisions to offset the rising costs for sewage treatment. Mr. Thomas confirmed that the Finance Committee considered the draft budget on July 19th and concurs with his recommendation.

He explained that also included in the budget is the Capital Acquisition and Outlay for the coming year. Mr. Thomas pointed out that YCUA staff is anticipating a \$15.7 million spending plan for this activity, of which about \$1.5 million is anticipated to be financed through unrestricted funds. He also stated that the draft budget does not generate sufficient capital to proceed with the projects listed in the unrestricted fund category. Mr. Thomas advised the Board that those projects will not proceed unless the net income for the Authority in the coming year is greater than what is presented in the draft budget.

He indicated that state statute requires approval of a budget prior to the beginning of the fiscal year.

Mr. Thomas recommended approval of the draft budget for fiscal year 2007 – 2008 as presented.

Mark Namatevs, as Chair of the YCUA Finance Committee, advised the Board that the committee reviewed the draft budget in detail and does concur with the recommendation. He indicated that the Finance Committee views the draft budget as consistent with the trends from last year and that it is pleased that, in line with Mr. Thomas's usual recommendations, it is a conservative budget. Mr. Namatevs also explained that if more revenue from WTUA becomes a possibility, the budget will look even better. Gregory A. Peoples concurred.

Motion by Namatevs to approve the Fiscal Year 2007 - 2008 Draft Budget. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

B. Request to Approve – Rate Increase - Larry R. Thomas

Mr. Thomas advised the Board that, as part of the budgeting process, YCUA's rates are reviewed and it is determined if adequate funds will be generated to pay the operating and maintenance expenses of the Authority as well as to finance certain capital activities. He indicated that he recommends an increase of 5.14% in the water rate of both divisions, which is a pass-through of the rate increase that we received from DWSD. Mr. Thomas also explained that, per the township rate ordinance, the YCUA Board has the authority to increase the water rate up to the increase received from DWSD. He pointed out that an affirmative vote by our Board will therefore increase the water rate for Township Division customers effective September 1, 2007.

Mr. Thomas explained that, in the City Division, if this Board approves his recommendation, this Board will be recommending the rate increase to City Council, which has final authority over YCUA city water rates. He further advised that also recommended is a sewer rate increase of 3% in both divisions. Mr. Thomas stated that again, if the Board approves his recommendation, they will be recommending the rate increase to both the City Council and Township Board as those two entities have authority over YCUA sewer rates.

He directed the Board's attention to his memo along with city and township water and sewer rate tables as well as summaries that show the effects of increases in both divisions on customers' bills. Mr. Thomas confirmed that these recommended rate increases are presented in the budget to maintain sufficient revenue for the Authority's operations.

He explained that the Finance Committee considered the recommended rate increases on July 19th and concurs with the recommendations.

Mr. Thomas recommended approval of a 5.14% water rate increase for the Township Division. With the Board's approval, the rate will change on September 1, 2007. He further recommended the YCUA Board recommend to the City Council a 5.14% water rate increase in the city, and recommend to the City Council and Township Board a 3% sewer rate increase in both divisions.

J. Ray Scott inquired as to whether City Council or the Ypsilanti Township Board of Trustees have been made aware of the rate increases that recently came from DWSD so that they are can be made aware that

YCUA's action is proactive. Mr. Thomas responded that the increase from DWSD has been widely reported but that he has not personally communicated it. Mr. Namatevs interjected that the increases have become somewhat expected as they come every year. Mr. Doe also interjected that several years ago, the Township Board of Trustees approved a pass through of DWSD water increases from YCUA but that discussion has taken place among the new Board members as to whether water increases should once again be voted upon on an individual basis. Mr. Scott responded that even though those Detroit's increases are widely publicized, YCUA does not want to appear to take proactive communication for granted.

Mr. Doe indicated that he would be happy to discuss the increases with Township officials the next morning so that there are no surprises on the Township end. Mr. Thomas responded that he would call the Ypsilanti City Manager first thing in the morning as well. Ms. Bass suggested that it might save headaches in the long run to start communicating earlier rather than later. Mr. Thomas responded that, historically, YCUA has relied on *The Ann Arbor News* to communicate rate increases to its customers. Mr. Namatevs agreed that nothing more than that is done to signal that a rate increase was coming simply because the rate increases do not become reality until after they are approved by the City and Township officials.

Ms. Bass inquired as to whether there have been a lot of calls after rate increases in the past from customers asking why their bills are different. Mr. Namatevs responded that a 5% rate increase at the present \$4.13 average increase to city residence is typically not even noticed but that customer service might know more. Gwyn Belcher indicated that this increase is likely to be considered as a gift by the customers even though it is a tough time economically because there is no increase in the surcharge which is what City customers usually notice the most. She concurred that notification of impending rate increases cannot be added to the bills until after City and Township official approval has been received and, by that time, the rate increases have already been covered in the local media on numerous occasions.

Mr. Doe commented that other communities have passed on much larger increases this year and that YCUA's much lower numbers are actually a relief to most customers. He added that, in past years, YCUA was put in a very difficult financial position because the local officials were squeezing the Authority not to pass on increases and that it resulted in an inability to

cover operating expenses along with lay-offs and early retirements. Ms. Belcher stated that the financial crisis of a few years back is a good thing to point out to those who are new to the Board. She stated that, at that time, this Board made the conscious decision to make incremental yearly increases as needed and no longer go several years without passing on increases from Detroit that could result in an emergency situation with a double-digit increase.

Mr. Scott stated that, nonetheless, a press release is in order at the time of a rate increase, which expresses the good work that YCUA is doing. Mr. Doe reiterated that he and Mr. Thomas would contact the local officials in the morning to discuss the matter and that, in the future, a more proactive stance will be taken when notifying the member communities of possible rate increases that are being recommended to the officials in their communities.

Motion by Namatevs to approve a 5.14% water rate increase for the Township Division and recommendations to the Township Board and City Council for a 3% sewer rate increase in both divisions and recommend to the City Council a 5.14% water rate increase. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

C. Request to Approve – Lease of Shadford Tower Space to Clearwire -
Larry R. Thomas

Mr. Thomas reminded the Board that Clearwire has requested to lease space on the Shadford Tower water storage facility in the City of Ypsilanti. He indicated that Tom Daniels has completed negotiations with Clearwire and has prepared a recommendation along with a proposed lease for their consideration. Mr. Thomas also explained that the initial rental rate increase is \$1,250 per month and may be renewed every five years for a lease term of 30 years and, at each renewal, a 15% increase in the monthly rental rate will be realized.

He pointed out that the space on the top of the Shadford Tower water storage facility is valuable to communication companies and such utilization poses no problems with YCUA's use of the tower. Mr. Thomas explained that the annual lease payment represents revenue to the Authority that is shared 50 / 50 with the Ypsilanti public school system and that it must be approved by the Ypsilanti School Board before going into effect.

Mr. Thomas recommended approval of the Shadford Tower lease with Clearwire as presented.

Mr. Namatevs inquired as to whether the previous lease was approved by the school board. Mr. Thomas responded affirmatively.

Motion by Scott to approve the Shadford Tower lease with Clearwire as presented. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

D. Request to Approve – Consumer Service and Billing Practices Document - Larry R. Thomas

Mr. Thomas advised the Board that, with the assistance of Tom Daniels, staff has been reviewing and revising our Consumer Standards and Billing Practices document. He indicated that the present rules have been in effect since 1998 and are no longer current. Mr. Thomas also explained that several of the rules are inconsistent with the current practices and procedures and city and township ordinances and require clear and precise language. He pointed out that a copy of the proposed Consumer Standards and Billing Practices document has been presented for their consideration along with a letter of recommendation from Tom Daniels.

He pointed out that the Finance Committee considered the recommended changes on July 19th and concurs with the recommendation. He also stated that the most significant changes are relative to landlord / tenant relationships and that the new document places ultimate responsibility for payment with the landlord.

Mr. Thomas recommended approval of the revised Consumer Standards and Billing Practices document as presented.

Mr. Namatevs, as Chair of the YCUA Finance Committee, indicated that he originally had some concerns that, due to the large number of individually-metered rental properties in the City of Ypsilanti, any sweeping changes in the landlord / tenant provisions may take the small property owners by surprise and create unnecessary complexities for them. He indicated that he asked that a provision be included that, upon written request of a landlord, YCUA will send a duplicate bill to the tenant. Ms. Belcher interjected that the revised document does not disallow payments from tenants, but that it simply makes it clear that YCUA's ultimate relationship as required by state law, is with the property owner. Kevin

Summers concurred and added that statute allows for unpaid charges to become a lien against the property and applicable to property tax bills.

Ms. Bass inquired as to where this document is published. Ms. Belcher responded that the notice of change will be posted on the YCUA website and will also be mailed to all customers in the service area. She stated that YCUA has planned this change to coincide with the large influx of new renters at the end of summer, which is the best time to make the changes.

Mr. Scott commented that he is appreciative of his concern for the individual property owners in the YCUA service area.

Motion by Namatevs to approve revised Consumer Standards and Billing Practices document as presented. Support by Scott. In favor: All. Opposed: None. (Motion carried)

E. * ITEM REMOVED *****

F. Request to Approve – Watson Avenue Pump Station Bypass Provisions Project - T. Michael Jessee

Mr. Jessee advised the Board that Watson Avenue pump station requires bypass piping installation as part of YCUA's District Compliance Agreement with MDEQ. He indicated that the pump station is located at the corner of Watson and State Streets. Mr. Jessee also explained that the depth of the excavation for the sanitary force main was too deep for YCUA's equipment.

He pointed out that RFPs were advertised for the project, bidding documents were obtained from five prospective bidders, three bidders attended the mandatory pre-bid conference on July 6th, and two bidders, C.I. Contracting, Inc. of Novi and Douglas Higgins of Ann Arbor, submitted proposals. Mr. Jessee explained that the low bid was from C.I. Contracting in the amount of \$37,750. He further advised that staff is also requesting a contingency of 10% for a total construction budget of \$41,525.

Mr. Jessee stated that, over the next several years, the majority of the Authority's pumping stations will require the installation of bypass piping, which allows YCUA staff to move into a station with a mobile pump in the event of a major mechanical or electrical problem that renders the station inoperable. He acknowledged that Watson Avenue is the next on

the schedule. Mr. Jessee confirmed that this project will be paid through the O & M budget.

Mr. Jessee recommended approval of the award of the Watson Avenue Pump Station Bypass Pumping Provisions Project to C.I. Contracting, Inc. in the amount of \$37,750 and a contingency of 10% for a total budget of \$41,525.

Motion by Peoples to approve the award of the Watson Avenue Pump Station Bypass Pumping Provisions Project to C.I. Contracting, Inc. in the amount of \$37,750 and a contingency of 10% for a total budget of \$41,525. Support by Scott. In favor: All. Opposed: None. (Motion carried)

G. Request to Approve – State Road Repaving Project - T. Michael Jessee

Mr. Jessee advised the Board that, this year, YCUA budgeted for road work and improvements to State Road along the south side of the wastewater treatment plant as the road has deteriorated badly over the years and is in need of repair. He indicated that this is a private road belonging to the Authority that was built in 1979 with an extension added later just west of the maintenance gate down to Watson Avenue. Mr. Jessee also explained that the road was in poor condition four years ago but improvements were not made at the time due to heavy equipment coming and going during the plant construction.

He pointed out that RFPs were advertised for the work and four bidders submitted proposals. Mr. Jessee confirmed that Cadillac Asphalt, LLC from Belleville is the low bidder in the amount of \$86,560.75. He further advised that staff is recommending a contingency budget of 20% or \$17,439.25 for a total construction budget of \$104,000. Mr. Jessee stated that this expense is to be covered through the O & M budget. He acknowledged that the contingency is being requested because the subsurface may be damaged as well. He explained that the entire road from McGregor to Watson will be repaired. Mr. Jessee pointed out that the road becomes a county road where it turns into concrete. He also stated that this is a Class A road and that the road commission has not had input on the project. Mr. Jessee advised the Board that it is staff's desire to maintain the road so that there is no weight limitation on what can be delivered here while frost laws are in effect because smaller deliveries will drive up the cost of supplies.

Mr. Jessee recommended approval of the award of the State Road Paving Improvements Project to Cadillac Asphalt, LLC in the amount of \$86,560.75 with a contingency budget of 20% or \$17,439.25 for a total construction budget of \$104,000.

Motion by Namatevs to approve the award of the State Road Paving Improvements Project to Cadillac Asphalt, LLC in the amount of \$86,560.75 with a contingency budget of 20% or \$17,439.25 for a total construction budget of \$104,000. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

H. Request to Approve – Midway Water Main Replacement Project - T. Michael Jessee

Mr. Jessee advised the Board that RFPs for the replacement of the water main on Midway in Ypsilanti Township were advertised and bids were received on July 10th. He indicated that four contractors submitted bids ranging from \$185,614.90 to \$304,062.80. Mr. Jessee also explained that the low bid is from Verdeterre Contracting, Inc. in the amount of \$185,614.90. He pointed out that the proximity of the main to the foundations of some residences creates a significant concern.

Mr. Jessee explained that Midway is located north of Holmes Road and runs from Holmes to Clark in the vicinity of Willow Run High School in Ypsilanti Township. He further advised the contract estimate for the project was \$244,831. Mr. Jessee stated that Midway contains a 12-inch water main and 1,200 feet of that main will be replaced in this project. He acknowledged that, during the next construction season, the Washtenaw County Road Commission will replace Holmes Road from Rue Deauville to just past the high school and Midway must be done before they come through so that YCUA does not cut into the newly-surfaced Holmes Road.

Mr. Jessee recommended approval of the award for the Midway Road Water Main Improvements Project to Verdeterre Contracting, Inc. in the amount of \$185,614.90 with a contingency of 10% for a total project cost of \$204,176.39 and a recommendation to the Township Board to allow for the use of the Township Division Reserve for Construction Fund to finance the project.

Mr. Namatevs inquired as to why there is such disparity between bids for such a short road. Mr. Jessee responded that he cannot answer the question but that he will email the Board with a complete bidder

spreadsheet outlining every line item in the varying bids. He added that Verdeterre is a very reputable company that has done satisfactory work for YCUA in the past. Mr. Jessee added that since this is mid construction season, some companies will bid the job high deliberately because they are already busy and don't really want the job unless they can make a lot of money.

J. Ray Scott concurred and related that he has had similar experiences with residential contractors.

Ms. Bass indicated that she would like to see the spreadsheet because her concern is that the high bidder might know something that the lower does not.

Mr. Namatevs indicated that since Verdeterre's references were checked and OHM is OK with the bid, then he has no problem making a motion.

Robert Czachorski of OHM interjected that because of the bad economy in Michigan, this is a good time to bid a project. Larry R. Thomas added that Verdeterre has done work in the city so they are indeed known to YCUA.

Motion by Namatevs to approve the award for the Midway Road Water Main Improvements Project to Verdeterre Contracting, Inc. in the amount of \$185,614.90 with a contingency of 10% for a total project cost of \$204,176.39 and a recommendation to the Township Board to allow for the use of the Township Division Reserve for Construction Fund to finance the project. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

I. Request to Approve – OHM Engineering Services Proposal re: Midway Water Main Replacement Project - T. Michael Jessee

Mr. Jessee advised the Board that, in conjunction with this project, YCUA staff is requesting OHM to act as construction managers. He directed their attention to a proposal from OHM for the construction engineering services in an amount not to exceed \$36,300.

Mr. Jessee recommended approval of the OHM proposal for construction engineering services for the Midway Road Water Main Improvements project in an amount not to exceed \$36,300.

Motion by Peoples to approve the OHM proposal for construction engineering services for the Midway Road Water Main Improvements project in an amount not to exceed \$36,300. Support by Namatevs. In favor: All. Opposed: None. (Motion carried)

J. Request to Approve - Purchase of Tractor with Backhoe and Mower Attachments - T. Michael Jessee

Mr. Jessee advised the Board that this year, we have budgeted for the purchase of a tractor with backhoe and mower attachments for the Authority. He indicated that bids were advertised and two bids were received, one from Carleton Farm Supply in the amount of \$51,044.42 for a Kubota tractor and one from William F. Sell Equipment, Inc. in the amount of \$38,365 for a New Holland tractor. He pointed out that staff is recommending the low bid. Mr. Jessee explained that this item will be paid through the YCUA equipment fund.

He further advised that the maintenance department has had the current backhoe and tractor since 1979 when the plant was originally built. Mr. Jessee stated that it is used for small excavation and landscaping jobs. He acknowledged that the backhoe also has a large flail mower that is used for the large lawns on the YCUA grounds.

Mr. Jessee recommended approval of the purchase of the tractor with backhoe and mowing attachments from William F. Sell in the amount of \$38,365.

Motion by Peoples to approve the purchase of the tractor with backhoe and mowing attachments from William F. Sell in the amount of \$38,365. Support by Scott. In favor: All. Opposed: None. (Motion carried)

K. Request to Approve – Purchase of Grove Road Sewage Pumping Station Emergency Generator - T. Michael Jessee

Mr. Jessee advised the Board that emergency generators are being added to several YCUA pump stations for emergency operation due to sewer failures. He indicated that staff solicited bids for the emergency generator at the Grove Road sewage pumping station, which is a small station housing three pumps with a capacity of approximately 1.5 mgd located on the corner of Grove and Jay Roads. Mr. Jessee also explained that three very competitive bids were received and the low bid was from Cummins Bridgeway Power in the amount of \$16,067. He pointed out that staff is recommending the purchase. Mr. Jessee explained that emergency power for pump stations is needed for electrical outages so that potential sanitary sewer overflows will not occur. He further advised that this will be paid through the O & M budget.

Mr. Jessee stated that this station has a very short retention time, which means if power is lost, there is only about 30 – 45 minutes to respond. He acknowledged that this emergency generator is an Owens Cummins generator and that the Authority presently uses this brand in other locations. Mr. Jessee confirmed that the product is very good. He explained that this purchase includes a transfer switch.

Mr. Jessee recommended approval of the purchase of an emergency generator for the Grove Road pumping station from Cummins Bridgeway Power in the amount of \$16,067.

Mr. Doe inquired as to whether a discount could be received if the emergency generator in item 3.L was purchased with this one. Mr. Jessee responded that it is not likely as these prices are rock bottom and that a higher volume would be required to drive the price down even more.

Motion by Scott to approve the purchase of an emergency generator for the Grove Road pumping station from Cummins Bridgeway Power in the amount of \$16,067. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

L. Request to Approve – Purchase of Superior Road Sewage Pumping Station Emergency Generator - T. Michael Jessee

Mr. Jessee advised the Board that this situation is very similar to the one at Grove Road. He indicated that this pumping station is located at Superior Road and Huron River Drive. Mr. Jessee also explained that this location has been problematic for years in major rain events. He pointed out that when the ground is very soft or when there is snow present, it is difficult to bring portable generators in and out.

Mr. Jessee stated that three bids were received and the low bid was from Cummins Bridgeway Power in the amount of \$16,067. He acknowledged that staff is recommending the purchase. Mr. Jessee confirmed that this will be paid through the O & M budget.

Mr. Jessee recommended approval of the purchase of an emergency generator for the Superior Road pumping station from Cummins Bridgeway Power in the amount of \$16,067.

Mr. Namatevs inquired as to the life expectancy of a stationary generator. Mr. Jessee responded YCUA has stationary generators at the four major

pumping facilities that have been in place since 1979 and that they perform very well. He added that the maintenance department performs preventative maintenance once per week and an under-load start-up for 45 minutes to one hour at each location each week. Mr. Jessee stated that there are also three portable generators for the non-critical locations and that if a major storm comes through, maintenance crews perform a round robin, pumping down one station after another in a circular route.

Motion by Scott to approve the purchase an emergency generator for the Superior Road pumping station from Cummins Bridgeway Power in the amount of \$16,067. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

M. Request to Approve – 2007 Road Repairs Project - T. Michael Jessee

Mr. Jessee advised the Board that, each year, the Authority contracts out the repairs for the various open road cuts our staff has made for our water and sewer work in the previous year. He indicated that an RFP was prepared and advertised and bids were received on July 12, 2007. Mr. Jessee also explained that six bidders submitted. He pointed out that the low bidder was Best Asphalt, Inc. from Romulus in the amount of \$169,050. Mr. Jessee explained that staff is recommending an 18% contingency for a project total of \$200,000. He further advised that this is paid through the O & M budget. Mr. Jessee stated that road repairs are notorious for going over budget because it is very difficult to predict each and every cut as far as the depth of the bituminous material, the depth of the road bed, and the size of the road cut. He acknowledged that there has been some internal modification to work order in an attempt to improve the specifications but that they generally run 15 – 20% over the estimate.

Mr. Jessee recommended approval of the award of the contract for the 2007 Road Repairs Project to Best Asphalt, Inc. in the amount of \$169,050 with an 18% contingency for a project total of \$200,000.

Mr. Namatevs commented that Midwest has submitted the same pricing on 4-inch or less, 4 – 8 inch, and 8-inch pipe, Best is only lower on the 4-inch or less piping, and that the net difference between the two bids is only \$1,000. He indicated that since it can be difficult to gauge the thickness of the pipe needed, it makes sense to go with the bidder with the consistent pricing rather than end up paying double the price per square foot for anything that goes over 4 inches thick.

Mr. Doe suggested that YCUA go with Best for the asphalt work and Midwest for the concrete. Mr. Jessee responded that this cannot be done.

Mr. Peoples inquired as to whether YCUA has worked with any of the bidders before. Mr. Jessee responded that the Authority has worked with all three. He added that Best is charging \$110 for concrete and Midwest is charging \$180 for the same, so it is apparent that the different vendors will make up the pricing in different areas and he is comfortable with the bid.

Ms. Bass indicated that the bulk of the bid is in repair area. Mr. Namatevs responded that it is in the actual laying of the asphalt. Mr. Jessee also pointed out that Midwest took nothing into consideration for transporting costs. Ms. Bass responded that, using the same logic as on the previous item, this vendor may be hungrier. Mr. Doe commented it appears to him that Midwest put more thought into their bid.

Motion by Peoples to approve the award of the contract for the 2007 Road Repair Project to Best Asphalt, Inc. in the amount of \$169,050 with an 18% contingency for a project total of \$200,000. Support by Scott. In favor: All. Opposed: None. (Motion carried)

N. Informational Item – Third Quarterly Production Report - T. Michael Jessee

Mr. Jessee directed the Board's attention to the third quarterly production report. He then proceeded to give a detailed report of the information contained in the report and answered questions from the Board, paraphrased as follows:

Wastewater Treatment Plant

The wastewater treatment plant experienced a 6.12% increase in flow compared to the previous year's third quarter. In fiscal year 06 - 07 third quarter, a flow of 2,323,382,000 gallons was recorded while fiscal year 05 - 06 third quarter flow was 2,189,479,000 gallons. Additionally, there were 6,775 tons of biosolids processed and incinerated during the third quarter for a fiscal year-to-date total of 20,246 tons.

Wastewater treatment staff operated the treatment facility within the National Pollutant Discharge Elimination System Permit (NPDES) parameters with no occurrence of violation. The NPDES permit has been renewed through 2010.

Eight (8) wastewater treatment operators attended off-site training in preparation for the Michigan Department of Environmental Quality exam

scheduled for May 24, 2007. There are thirteen (13) employees scheduled to write the exam this year. We are anticipating a large success rate.

The operational staff continues to improve their abilities to operate the incinerator. This is a struggle with the ongoing manufacture changes in the operating parameters that are associated with the finalization of the punch list items. Negotiations with Infilco Degremont Inc. (IDI) are continuing with a technical meeting scheduled for the 23rd of July. Additionally, IDI is scheduled to be onsite the week of July 2nd to address a number of the remaining punch list items.

The wastewater treatment department has expended \$47,183 for overtime compensation during the fiscal year; this represents 38.3% of the budgeted amount of \$123,167.

Customer Service Department

As expected, the 2007 third quarter statistics reflect signs of the economic times in our service area. The number of delinquent accounts is up over the previous quarter and the number of ten-day notices required this quarter increased by 37% over the number of ten day notices required during 3rd quarter 2006. The number of shut offs required increased 250% over the same time period. The number of foreclosures in the service area has increased dramatically over the past year, as has the number of vacant homes. The number of new utility billing customers has dropped by 50% from the same period in 2006. The positive news is that 10-day notices generated payment of 61% of the revenue owed this quarter versus payment of 47% of the revenue owed last year.

This statistic reflects the increase in the number of payment agreements our collections clerk has entered into in an effort to maximize the collection of revenue and avoid termination of services to customers. We are very proud of the manner in which all of the customer service staff members have worked with Authority customers during uncommonly difficult times. They have done a superb job of balancing the needs of the customers with the policies and procedures of the Authority.

In addition to entering into payment agreements with delinquent customers, our efforts to preserve our revenue include working closely with area title companies and banks to ensure prompt payment of final bills on sold or foreclosed property, increasing direct communication with property owners who are responsible for YCUA charges as opposed to tenants, and aggressively pursuing legal action against water theft. We are also in the process of exploring projects to gain increased efficiencies and improved customer communication and service.

The customer service department has expended \$2,720 in overtime compensation during this fiscal year. The expenditure represents 43 % of the budgeted amount of \$6,315.

Maintenance Department

The maintenance department has enjoyed a productive third quarter with the completion of 2,826 work orders. The work order production represents an increase of 17.9% over work orders completed during the same period last year.

During the third quarter, the Leforge Villa lift station renovation project began. When completed, the lift station will operate with new submersible pumps, an auxiliary electrical power generator, and bypass pumping capabilities. This will be a major improvement over the existing vacuum prime pumping system and should assist in reducing emergency maintenance expenditures for the facility.

With the plant expansion nearly completed, the maintenance department staff has begun to address the preventative maintenance activities for the new equipment. This task requires the deletion of the old equipment and the entering of the new equipment in the preventative maintenance work order program. As usual, the maintenance department is performing the required task to ensure that all assets of the Authority are being maintained up to the Authority's high standards. Additionally, the wastewater treatment facility has been cleaned and returned to an acceptable condition following the activities of the expansion project. This can be attributed to the efforts of the wastewater treatment and maintenance department staffs. Thank you for your dedication in providing a clean and safe work environment for all.

Wayne Dudley, Maintenance Supervisor, with the assistance of Jeff Castro, Water Distribution Supervisor, is investigating the possibility of a redundant operating system for our water distribution system. This project, when completed, would provide the ability to operate the water distribution system from a remote location. A redundant operating system will prove to be invaluable in the event a natural or manmade disruption affects our ability to operate the water distribution system from the current location. Disaster preparedness is the goal for this project. When completed, a similar project will be planned for the wastewater treatment facility.

The maintenance department has incurred \$57,759 of overtime expenses during the fiscal year; this represents 37.3% of the budgeted amount of \$154,988.

Engineering Department

The engineering department continues to provide excellent engineering services to the Authority. During the third quarter, the efforts of the engineering staff

contributed \$52,513 to the Authority. This was accomplished through the estimated savings of \$45,000 for in-house engineering design and \$7,513 invoiced for community development design review fees.

The priority projects for the third quarter were the completion of the 2007 Drinking Water Revolving Fund project update, updating the water and sanitary infrastructure maps, cataloging and updating the digital record plans, completion of the Wild Life Management Plan, completion of the Bridge Road water treatment facility demolition, and preparing for the start of the construction season.

Additionally, engineering staff has begun to address the in-house project of the Leforge Villa lift station modification project. The engineering staff supplied the engineering design and bidding procedure for this project.

With assistance from supporting staff, Rolland Sizemore, Project Supervisor, has completed and submitted the Wild Life Management Plan for approval to the Federal Aviation Administration (FAA). With the wastewater treatment facility in proximity to the Willow Run Airport, the FAA required a plan to manage the wild life to ensure that there is no interference with air transportation. Good job, Mr. Sizemore.

The Engineering Department has expended \$673 in overtime. This represents 10.5% of the budgeted amount of \$6,378.

Service Department

During the third quarter, the service department completed 11,026 tasks. This included the cleaning of 140,541 feet of sanitary mains, 9,127 manhole inspections, 1,200 staking requests, thirty-six (36) sanitary sewer lead repairs or replacements, and the inspection of fifty-three (53) sanitary service leads. Additionally, YCUA staff televised 22,305 feet of sanitary mains with the use of our recently acquired camera truck for an estimated savings of \$60,000 (2.75 per foot).

Ryan Stetler and Jeff Zaker, Line Service Technicians, wrote the MDEQ "S" exams in May. We anticipate passing scores when the results are released in mid-July, and congratulate them for their initiative and efforts in this area.

The overtime expenditures for the Service Department were within budgetary limitations. There was \$102,168 expended for overtime, which represents 51.18% of the budgeted amount of \$199,806.

Water Distribution Department

During the third quarter, the water distribution staff managed the supply of 1,065,718,236 gallons of water to our customers, the majority of which was delivered to Ypsilanti Township in the amount of 879,480,290 gallons. The City of Ypsilanti received 186,237,946 gallons, Pittsfield Township 288,359,737 gallons, Superior Township 73,887,858 gallons, and Augusta Township 33,929,280 gallons. It should be noted that the flow recorded for Ypsilanti Township includes the flows to our contract communities. During this fiscal year, YCUA has purchased 3,109,552,688 gallons of water from Detroit Water and Sewer Department. This represents a 206,022,388-gallon / 6.2%, decrease in comparison to the previous fiscal year total of 3,315,575,076 gallons.

The water distribution department has expended \$15,632 in overtime compensation during the fiscal year. That expenditure represents 30.0% of the budgeted amount of \$51,938.

Meter Department

The meter department took 33,866 meter read during the quarter. There were 11,677 reads by radio, 21,525 by hand held interrogators, and 664 manually. In addition to the meter reads, there were 3,592 tasks completed. The additional tasks included changing meters and performing cross connection inspections.

The meter department management team has implemented an automatic radio read pilot program. Mega-Net reading system is in the installation process and will provide the ability for large meter readings to be gathered daily with up-to-the-minute consumption information. If the pilot program proves to be successful, YCUA will request approval for the purchase of the system.

Pat Morris, Jill Sebby, and Guy Huddleson wrote the MDEQ "S" exams. We anticipate passing scores when the results are released in mid-July, and congratulate them for their initiative and efforts in this area.

The Meter Department incurred \$10,274 in overtime expenditures FYTD through the third quarter. This represents 93.7% of the \$10,965 budgeted.

Compliance Department

The compliance department (wastewater laboratory and industrial pretreatment) personnel performed 7,847 analyses during the third quarter. The information gathered from the analyses assists in the operation of the wastewater treatment facility by informing operational staff of any and all concerns within the treatment process. Additionally, all reporting data for the NPDES permit is supplied through the analytic results.

The compliance department management team has submitted the annual Industrial Pretreatment Report and has received approval from the MDEQ. MDEQ indicated the report was complete, met all requirements, and that the industrial pretreatment program was being properly implemented for the industrial uses. Great job.

Linda Massengill, Karen Lauderman, and Vicki Hilobuk have also written their MDEQ exams. They too deserve congratulations for their initiative and efforts.

The Compliance Department expended \$3,727 in overtime FYTD. The expenditures represent 22.6% of the budgeted amount of \$16,419.

State of Authority Operations

With the end of the third quarter, the Authority finds itself operating in a positive light. The service department employees continue to refine their ability to operate the new mobile televising equipment. This equipment is proving to be invaluable in the sanitary main evaluations. The operation of the incinerator is becoming second hand to many of the wastewater treatment employees and the running of the plant is returning to normal after the three-year expansion construction project. Many capital projects are under way and we are anticipating successful completion with minimal disruption of services to our customers.

As reported by Gwyn Belcher, Director of Administrative Services, the economic downturn is beginning to be felt by the customers of YCUA. This is evident with the 250% increase in shut-off of services due to non-payment. This will increase the efforts of YCUA in addressing these issues in that the meter department personnel will expend more of their time executing the shut-offs. Additionally, time will be spent by our customer service staff working with our customers in addressing the late and non-payment issues.

Informational only; no motion from the Board required.

O. 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.

Informational only; no motion from the Board required.

P. 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. 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.

Q. 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.

R. Attorney's Report – Kevin Summers

Mr. Summers advised the Board that he has two items to report on. He indicated that the first has to do with the MDOT / I-94 sound wall damage claim. Mr. Summers explained that the two defendants in that matter, C.A. Hull and URS Corporation have been served. He pointed out that he has not heard from URS and that if they do not file an answer this week, they will be defaulted. Mr. Summers explained that C.A. Hull's insurance carrier has retained counsel and they have responded with a request for short extension in order to examine their position.

He further advised that the second item is relative to IDI, the incinerator contractor. Mr. Summers stated that IDI is close to completion of the punch list with exception of some disputed items. He acknowledged that they are onsite this week meeting with YCUA staff and the project engineer to address those punch list items and related disputed. Mr. Summers confirmed that they have agreed to return in the middle of August for a final global settlement meeting that will include IDI's CEO. He explained that there remains approximately \$200,000 on that contract.

Informational only; no motion from the Board required.

S. Director's Report - Larry R. Thomas

Mr. Thomas advised the Board that, as was alluded to in the Quarterly Production Report, YCUA staff had 13 wastewater operators and laboratory staff members that took the MDEQ wastewater licensing exams this year. He indicated that nine of the 13 passed, which is a high percentage. Mr. Thomas also explained that the Board should be very proud that so many licensed individuals are working at YCUA. He pointed out that congratulations are in order.

Mr. Thomas explained that another very nice letter was recently received from a local resident, which he distributed to the Board members.

Mr. Scott commented that it is nice to see that the commitment that YCUA has made to building a partnership with the community is beginning to take hold. He further advised that this type of positive communication was not received by YCUA before he came onboard. Mr. Scott stated that he is very proud to be behind such an efficient organization.

Informational only; no motion from the Board required.

4. OLD BUSINESS:

T. Request to Approve – Supplemental Agreement re: Fons / Old Wayne Landfills Potential Natural Resources Damages Claims - Larry R. Thomas

Mr. Thomas advised the Board that this is an issue that extends back into the mid 90s dealing with the cleanup of two old landfills to the east of the YCUA plant site. He indicated that YCUA and Ypsilanti Township were named as potentially responsible parties in the cleanup effort. Mr. Thomas also explained that the Authority agreed to pay several million dollars and the Township had paid \$1,050,000 to the University of Michigan for some natural resources mitigation activities. He pointed out that YCUA has paid around \$100,000 to date for some leachate disposal when the project was in process and will be paying other \$750,000 once the final report is submitted and approved by MDEQ.

Mr. Thomas explained that the natural resource damages that the township paid for never occurred and the University of Michigan wanted to return the money to the group. He further advised that, through a series of negotiations, it was determined that the money would go back to Ypsilanti Township and not to the group as a whole, which was YCUA's position all along. Mr. Thomas stated that there was then an argument regarding the interest that had accrued, which resulted in a series of meetings between lawyers and officials from the various organizations who were potentially responsible parties in the cleanup. He acknowledged that this finally has been resolved and that this is the document that will resolve that interest issue with the money going back to the township. Mr. Thomas confirmed that the agreement will go before the Ypsilanti Township Board for their approval at their next meeting.

Mr. Thomas recommended approval of the Supplemental Agreement re: Fons / Old Wayne Landfills Potential Natural Resources Damages Claims.

Larry J. Doe added that this matter began approximately two years ago when General Motors came forward along with Ford Motor Company with a claim that there would be no damages and that they expected to have 98% of the \$1,050,000 returned to them. He stated that, through a lot

of negotiation with YCUA, Willow Run Airport, and Wayne County, the University of Michigan, and GM, it was finally agreed that the money would be returned to Ypsilanti Township. Mr. Doe stated that there was, indeed, some questions about the interest that accrued and that between him, Brenda L. Stumbo, and the University of Michigan, \$135,000 was returned. He indicated that this will be a tremendous help to the township as they hope to pay off some of the bonds owed on the Seger Farm and other properties in order to reduce some of their debt.

Motion by Scott to approve the Supplemental Agreement re: Fons / Old Wayne Landfills Potential Natural Resources Damages Claims. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

U. Deletions and Additions to the Expansion Project for Odor Control – T. Michael Jessee

Mr. Jessee directed the Board's attention to a document provided by Tom Allbaugh containing the numbers for the deletions and additions for odor control. He indicated that YCUA entered into an agreement with Bioclimatic for air ionization in the amount of \$1,640,000. Mr. Jessee also explained that there was then a deduction from Biorem in the amount of \$995,150. He pointed out that the original purchase order for the biofilter was in the amount of \$1,355,000. Mr. Jessee explained that YCUA also received \$748,666 for deleted ductwork. He further advised that a refund was received for foundations in the amount of \$41,810.

Mr. Jessee stated that the total credit amounts to \$784,986. He acknowledged that Tetra Tech was then given budget amendment no. 1 in the amount of \$200,000, leaving a credit to YCUA of \$584,986.

Mr. Jessee confirmed that this information was requested at the June meeting. He explained that this relates to the contingency budget in the original construction and that just over \$1.5 million is left to solve the problems at hand. Mr. Jessee pointed out that this is why the odor control pilot program was approved last month in attempt to test the technology under real conditions. He also stated that he was hoping the final figure would be a bigger number.

Mr. Jessee thanked Tom Allbaugh for the information contained in this report.

5. OTHER BUSINESS:

V. Request to Approve – YCUA Resolution No. 07-7 re: Retirement of Vicki Hilobuk - Larry R. Thomas

Mr. Thomas advised the Board that Vicki Hilobuk, who has worked at YCUA for 26 years, has requested retirement as of August 14th of this year. He indicated that she is presently working in the laboratory as a lab / IS technician. Mr. Thomas also explained that Ms. Hilobuk has been a good employee all these years and that this is the typical document that this Board passes that will be presented to her in a frame.

Motion by Namatevs to approve YCUA Resolution No. 07-7 re: Retirement of Vicki Hilobuk. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

- 6. STATEMENTS AND CHECKS:** Motion by Namatevs to pay the bills in the amount of \$3,796,472.67 with an addendum of \$1,111.25. Support by Scott. In favor: All. Opposed: None. (Motion carried.)

7. PUBLIC COMMENTS:

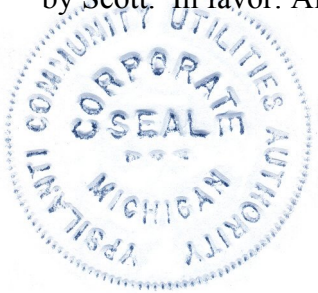
Karen Lauderman thanked the Board and the Authority for their support of their MDEQ licensing program. She indicated that two supervisors came in on their own time on weekends to do study sessions with the employees being tested and that their help was greatly appreciated as well. Mr. Doe thanked the employees on behalf of the Board for taking the time and effort to make YCUA stronger as a team.

- 8. ADJOURNMENT:** Motion by Namatevs to adjourn the meeting at 5:39 p.m. Support by Scott. In favor: All. Opposed: None. (Motion carried)

Respectfully submitted,



MARK NAMATEVS, Secretary/Treasurer



**YCUA RESOLUTION NO. 07-7 ANNOUNCING
THE RETIREMENT OF VICKI HILOBUK AND
COMMENDING HER FOR HER SERVICE**

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 24th day of July 2007 at 4:00 o'clock p.m., Eastern Daylight Time.

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

ABSENT: Commissioners None

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

WHEREAS, Vicki Hilobuk, an employee of the Ypsilanti Community Utilities Authority, has completed twenty-six (26) years of service to the Authority; and

WHEREAS, Vicki Hilobuk has requested retirement as of August 14, 2007 and

WHEREAS, Vicki Hilobuk demonstrated probity, loyalty, dependability, and dedication to her employment; and

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners of the Ypsilanti Community Utilities Authority commends Vicki Hilobuk for her accomplishments and years of service to the Authority and expresses its appreciation to her.

BE IT FURTHER RESOLVED THAT a suitably inscribed copy of this Resolution of Retirement be sent to Vicki Hilobuk as an expression of the Board's sincere appreciation for her years of service and the desire to convey its best wishes for good health and happiness in her retirement.

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

NAYS: Commissioners None

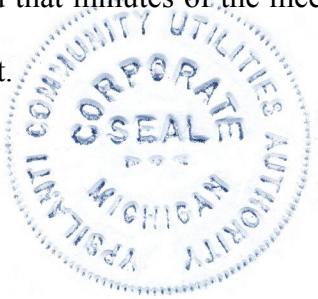
RESOLUTION DECLARED ADOPTED.





MARK NAMATEVS, Secretary - Treasurer

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 24th day of July 2007 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.



MARK NAMATEVS, Secretary - Treasurer