



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, October 28, 2008 – 9:00 a.m.
YCUA Administration Building
2777 State Road
Ypsilanti, MI 48198-9112**

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

Members Absent: Mark Namatevs.

1. **CALL TO ORDER:** Scott called the meeting to order at 9:05 a.m.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Doe to receive and file the minutes of the September 23, 2008 meeting as presented. Support by Bass. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
 - A. **Augusta Township Lease Agreement** – Larry R. Thomas

Mr. Thomas reminded the Board that Augusta Township recently inquired with YCUA about obtaining a release from their contract with the Authority to lease capacity for future use in the wastewater treatment plant. He indicated that Augusta entered into a lease agreement in order to hold .8 mgd of capacity in anticipation of several large residential and commercial developments planned for their community.

Mr. Thomas also explained that Augusta entered into agreements with several developers to pay the costs associated with the lease agreement until additional customers were being served and the cost could be financed by water and sewer rates. He pointed out that, since the housing and economic situation has changed since then, the developers have abandoned their projects and, in some cases, have filed for bankruptcy, leaving Augusta without a source of income to pay for the agreement and to hold the capacity.

Mr. Thomas explained that YCUA staff and Tom Daniels have met on several occasions with Augusta officials and their attorney, Doug Winters. He further advised that staff also met with the YCUA Finance Committee at the start of negotiations with Augusta Township to get their thoughts and ideas. Mr. Thomas stated that Augusta Township submitted a proposal to essentially terminate the lease agreement. He acknowledged that they will pay to YCUA the remaining balance of the initial two-year annual payments, which were deferred and to be paid later in installments.

Mr. Thomas confirmed that this balance will be paid in a lump sum amount of approximately \$270,000. He explained that, additionally, they would pay their portion of the debt payment for one additional year, which is approximately \$56,000. Mr. Thomas pointed out that Augusta Township would then owe no further lease or debt payments and would return the .8 mgd capacity to YCUA. He also stated that the YCUA Finance Committee met last week to review and discuss the proposal and is recommending approval.

Mr. Thomas advised the Board that this will not affect this year's budget but it will decrease anticipated revenues in coming years, which includes bond payments and lease payments totaling about \$200,000.

Mr. Thomas recommended approval of the termination of the Augusta Township Lease Agreement.

Larry J. Doe inquired as to whether the agreement should stand and Augusta's payments can simply be deferred rather than releasing them outright from their financial obligation. Thomas E. Daniels responded that Augusta Township will need to renegotiate with YCUA for increased capacity in any event when the economy turns around. He stated that Augusta will be making some pretty substantial payments between now and the end of the year and has communicated that they need complete relief from the contract because they simply cannot afford it. Mr. Daniels added that this is a fair compromise to both parties and YCUA will be free to negotiate possibly better terms in four or five years when the developers return. He further indicated that Augusta Township has capacity under their current contract for at least one additional development.

Motion by Peoples to approve the termination of the Augusta Township Lease Agreement. Support by Bass. In favor: All. Opposed: None. (Motion carried)

B. Request for Final Acceptance – Paint Creek Crossing as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that the Paint Creek Crossing project is complete and the maintenance and guarantee bond is in place. He indicated that the Paint Creek Crossing is the Kroger complex on Whittaker Road. Mr. Jessee also explained that this development contains 2,500 feet of 12-inch, 1,600 feet of 8-inch, and 2,950 feet of 10-inch sanitary sewer.

Mr. Jessee recommended approval of Paint Creek Crossing as a public utility

Motion by Doe to approve Paint Creek Crossing as a public utility. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

C. Informational Item – Fourth Quarter Operations Report – T. Michael Jessee

Mr. Jessee directed the Board’s attention to the fourth quarter operations 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:

The following narrative is a summary of the production activities and overtime expenditures for the fourth quarter and fiscal year 2007 / 2008.

Service Center Department

Our Service center department completed 12,913 tasks this quarter. The tasks include all activities related to the maintenance of all underground water and sanitary infrastructures and fire hydrants. Listed below is a brief overview of the major tasks accomplished during the fourth quarter and fiscal year:

<i>Activities / Tasks</i>	<i>Fourth Quarter Totals</i>	<i>Fiscal Year Totals</i>
<i>Water main break repairs</i>	<i>2</i>	<i>56</i>
<i>Manhole inspections</i>	<i>10,778</i>	<i>52,015</i>
<i>Sanitary cleaning (feet)</i>	<i>279,571 Feet</i>	<i>781,785 Feet</i>
<i>TV Sanitary Main (feet)</i>	<i>54,372 Feet</i>	<i>124,888Feet</i>

<i>Customer sewer related calls</i>	111	620
<i>Blocked Sewer Mains</i>	20	146
<i>Water Valves Exercised</i>	544	833

Though the organizational skills of the Service Center management team and the dedication of the AFSCME employees, there have been large production increases in the following areas: Sanitary cleaning increased by 68% (2007 FY total of 461,973 feet to 2008 FY total of 781,785 feet). Manhole inspections increased by 44% (2007 FY total of 36,062 to 2008 FY total of 52,015). Great job.

The water valve-exercising program was implemented this fiscal year. With the water distribution system consisting of approximately 300 miles of water mains, a valve-exercising program is a must for a preventative maintenance program. With the possibility of water main breaks, the isolation of specific areas within the distribution system is critical in minimizing the number customers affected by the disruption in service. The valve-exercising program allows preventative maintenance to be performed to ensure the capability of water main isolation. It should be noted that the valve-exercising program has not created the need for additional labor or the departure from other areas of responsibility. Great job to the Service Center team for the development and implementation of the valve-exercising program.

The Service department has expended \$106,712 in overtime expenses. This represents 59.3% of the \$179,824 budgetary amount.

Meter Department

During the fourth quarter, the Meter department completed 33,733-meter reads, 12,945 radio reads, 20,086 by hand held interrogator, and 702 manual reads. Additionally, there were 3,766 tasks completed which included changing meters, cross-connection inspections, and responding to customers requests.

Mr. Pat Morris has taken the lead on the residential cross-connection program. The cross-connection program entails the inspection of cross-

connection protect devices and database entry and maintenance. Good job, Mr. Morris.

As you are aware, the radio read Mega-Net project has gone full scale with the radio reads being downloaded into our billing software. The Mega-Net program allows YCUA to view the consumption of our large customers at any time and track the consumption on a daily, weekly, and monthly basis. This has proven to be a huge success and plans are to install 270 transmitters into the system by August of 2009.

Meter Shop and Service Center employees work in residential areas where canine encounters are a possibility. In an effort to mitigate the possibility of a canine confrontation, the Meter Shop and Service Center employees have attended an on-site training on “How to handle dog attacks”. This training was held at the Service Center and received a hardy welcome.

The Meter department fiscal year overtime compensation expenditures totaled \$6,549, which represents 59.7% of the \$10,965 budget.

Water Distribution

Our Water Distribution department continues to operate the system within the guidelines outlined in the new Detroit Water and Sewer Department (DWSD) contract. The guidelines ensure that YCUA water consumption rate doesn't exceed the DWSD peak flow parameters. This operation practice will mitigate the possibility of increased DWSD water rates due to operational issues. Additionally, DWSD has utilized the YCUA operational practice as a model for other communities. Great job to all.

The following listing is the consumption rates for the fourth quarter and fiscal year:

<i>Distribution Flows</i>	<i>Fourth Quarter Totals</i>	<i>Fiscal Year Totals</i>
<i>DWSD</i>	<i>1,523,043,192</i>	<i>4,646,444,128</i>
<i>City Division</i>	<i>224,656,095</i>	<i>838,657,600</i>
<i>Township Division</i>	<i>1,298,387,097</i>	<i>3,841,130,281</i>

With a total consumption of 4,819,463,484 million gallons for the 2007 fiscal year (FY), there has been a decrease of 3.6% in comparison to the 2008 FY consumption of 4,646,444,128.

The Water Distribution department utilized \$10,072 in overtime compensation. This represents 21.5% of the \$46,744 budget.

Maintenance Department

The Maintenance department has enjoyed a positive fourth quarter with a completion of 1,957 work orders and 366 water and wastewater pumping facility inspections. A fiscal year total of 9,823 completed work orders and 2,103 water and wastewater facility inspections.

During the fiscal year, there were many large projects completed with the assistance of the maintenance department. Those would include the rebuilding of the granulated carbon bed, the installation of the telephone system, and the installation of the blowers and associated piping for the odor control pilot project. These activities have mitigated the cost of outside vendors for these projects.

The Maintenance department has undergone a labor assignment restructuring with the labor force and workload being equally divided for the three supervisors. This has created an opportunity for the management staff to spend additional time in the field with the labor force. Labor tracking documentation has been implemented and a noticeable increase in production has occurred.

During the fiscal year, the Maintenance department incurred \$110,446 in overtime expenses. This represents 72.7% of the \$139,489 budget.

Compliance / Laboratory Department

The Compliance Department continues to develop the Fats, Oil, and Grease (FOG) policy and program. Currently, a FOG policy is under review by administrative staff. The policy will require that a FOG interceptor requirement will be implemented for the food service establishments within the City and Township of Ypsilanti. This will ensure that the discharge of fats, oils, and grease will not enter into the sanitary collection system.

The laboratory performed 9,076 analyses during the fourth quarter and submitted three Monthly Discharge Monitoring Reports. There has been a large increase in the phosphorus analyses for the wastewater treatment

process. The increase is a result of an intensified evaluation of the biological treatment process with a reduction in the use of alum as the objective. This procedure is being conducted by the Wastewater Treatment management team and requires the additional analyses to evaluate the progress of the refined operating parameters.

Congratulations are in order for the Compliance / Laboratory staff in receiving a favorable Pretreatment Compliance Inspection. The inspection was performed by MDEQ and required one procedural modification. When consideration is given to the enormous number of procedures required for a successful Industrial Pretreatment Program the inspection results are a huge success. Great job Compliance Department Staff.

The Compliance Department expended \$5,568 in overtime compensation for the fiscal year. This expenditure represents 37.7% of the budgeted amount of \$14,777.

Customer Service

The staff of the Customer Service department has done a tremendous job working with customers during this exceptionally stressful economy. We have found that the patience level of customers has decreased as the economic situation becomes more dire. The staff has done a very good job for the most part interacting with the increased number of frustrated customers.

As expected, the receivables outstanding at the end of this quarter have increased by 9.8% over the same quarter last fiscal year. However, the contract communities' outstanding receivable balances are more current this year than last. Pam Brady, Collections Clerk, and Gail Thomas, Accounts Receivable Clerk, have both done an excellent job working with their respective customers and managing the Authority's receivables.

Although the number of service terminations has increased, many of these are vacant properties. We have dramatically increased the number and latitude of payment arrangements the Authority enters into with customers. We have also worked hard to communicate that we will work with customers if they contact us prior to the service termination stage.

The Customer Service department incurred \$2,496 in overtime compensation. This represents 39.5% of the \$6,315 budget.

Wastewater Treatment Department

During the fourth quarter, the Wastewater Treatment Plant department processed 2,030,092,000 gallons of wastewater. Compared to the 2,084,952,000 gallons processed during the previous fourth quarter, there has been a decrease of 2.63%. The total fiscal year flow was 8,397,822,000 and a decrease of 1.38% occurred in comparison to the 8,515,525,000 gallons received during the previous fiscal year.

During the fiscal year sanitary solids operation processed 23,270 tons of solids. Of the total, 7,452 tons were land filled and 15,818 tons were incinerated. Due to granulated carbon bed failure, the incinerator was taken off line in December and was repaired and returned to operations in June. This resulted in land filling 7,452 tons of solid.

The Wastewater management team has implemented a program in which the incinerator is operated alternate weeks rather than continuously. This has proven to reduce the cost of operation by eliminating the consumption of natural gas. During normal operation, the incinerator consumes 1225 therms (122,500 cubic feet) of natural gas per day. With an average price of \$0.91 per therm, the estimated savings per five day week is \$5,575.

Congratulations are in order for Mr. Patrick Thompson and Mr. Steve Gillis for their successful MDEQ "D" certification examinations. Great job, gentlemen.

The Wastewater management department has expended \$61,777 for overtime compensation. This represents 55.7% of the \$110,850 budget.

Engineering Department

The YCUA Engineering department continues to mitigate the cost of engineering activities for the Authority. During the fourth quarter, the Engineering department Manager Scott Westover estimates a reduction in operating costs of \$41,000 for the efforts of the engineering staff. A summary of those activities include, roof replacement projects, EMU double check valve assemblies, State Revolving Funds submittals, the aeration deck coating, and North Golfside pump station improvements. With consideration given to the fiscal year, the engineering staff has contributed an estimated \$223,000 in savings for the Authority. In addition to the estimated savings, YCUA has received \$11,245.31 in escrow administration fees and invoiced \$11,963.00 for community development review fees.

The first quarter overtime expenditures for the Engineering Department were \$1,119, which represents 19.5% of the \$5,740 budget.

State of the Authority

With the dedication of the YCUA Employees, we continue to provide top-level service to the customers. Additional services are under way such as the valve exercising program, efficient operation of the incinerator, improved performance of the maintenance department, and the effective operation of the water distribution system. With all of this in mind, I find the Authority to be in a solid state of operation.

Informational only; no motion from the Board required.

D. Fund Balance Report - Larry R. Thomas

Mr. Thomas directed the Board's attention to the Fund Balance Report for September 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.

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

Mr. Thomas directed the Board's attention to the Financial Report – Authority Net Assets Report for September 30, 2008. He then proceeded to give a detailed report of the information contained in the report and answered questions from the Board.

Deedra Climer Bass inquired as to whether a report exists that tracks trends over the last five years. Dwayne Harrigan responded that he would work on something to that effect and report back to the Board.

Informational only; no motion from the Board required.

F. 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.

G. Attorney's Report – Thomas E. Daniels

Mr. Daniels advised the Board that he has four items to report on. He indicated that the ABC Paving claims against YCUA and the Washtenaw County Road Commission have been dismissed by the Court of Appeals. Mr. Daniels also explained that there is a 21-day period in which to file for application for leave in the Supreme Court but that he doubts that the court will allow it.

He pointed out that the case evaluation process is complete in the C.A. Hull matter, which is the YCUA suit regarding the damage to the sewer main during the I-94 sound wall project. Mr. Daniels explained that, on October 15th, YCUA received an evaluation from the three-member panel. He further advised that each party now has 15 days to accept or reject that evaluation and, if all parties accept, the case would settle for those numbers. Mr. Daniels stated that if any party rejects, then the case will go forward to trial and the rejecting party will have to pay the other party's attorney fees from the case evaluation through the trial unless the rejecting party improved their position at trial by 10%. He acknowledged that he wants the Board to have a clear understanding of the basic parameters of the court rules so that they can better make a decision about accepting or rejecting that evaluation. Mr. Daniels confirmed that the Authority's response is due November 11th and that he will meet with YCUA staff on Friday in order to formulate a strategy for accepting or rejecting that award. He explained that the evaluators did provide two numbers rather than a lump sum number and that they feel C.A. Hull and the project engineer should pay. Mr. Daniels pointed out that these separate figures do complicate the decision to reject or accept somewhat. He also stated that he can understand why the evaluators issued the numbers that they did and that they were not necessarily what YCUA was looking for but were considerably more than what C.A. Hull was hoping for.

Mr. Daniels advised the Board that there is nothing more to report on the Meade Westvaco matter. He indicated that pretrial discovery is still underway in Federal litigation. Mr. Daniels also explained that a recent response by YCUA to the other party's request for documents totaled 1,600 pages.

He pointed out that there have been some very significant developments in the last 30 days on the WTUA arbitration. Mr. Daniels explained that there was a deadline on the pre-hearing schedule requiring either party to file any motions for summary disposition by a set date. He further advised that WTUA did, in fact, file a motion for summary disposition, asking the arbitration panel to simply dismiss the case and rule in WTUA's favor as a

matter of law that they do not have to share in the cost of YCUA's funding of the trust for post-employment benefits. Mr. Daniels stated that YCUA's response to that motion, which is three-quarters complete, is due this Thursday. He acknowledged that the Authority has been on a very fast track in responding to that motion with the schedule that was set up with the arbitration panel. Mr. Daniels confirmed that it is working out fine and YCUA is well advanced and confident in its response. He explained that he does not believe there is any possibility that WTUA's motion could be granted at this point in the matter. Mr. Daniels pointed out that it is nonetheless a significant item that requires an aggressive and complete response.

Informational only; no motion from the Board required.

H. Director's Report - Larry R. Thomas

Mr. Thomas advised the Board that there has been some consternation recently regarding National City Bank, YCUA's primary banking institution. He indicated that there have been rumors circulating that the bank was failing but that the rumors proved premature. Mr. Thomas explained that they were bought out last week by East Coast institution PNC, which used to be Pittsburg National Bank. He pointed out that PNC has large cash reserves.

Mr. Thomas explained that he and Dwayne Harrigan met with National City representatives last week before the purchase by PNC. He further advised that this purchase makes the bank much more secure.

Mr. Thomas stated that because of this issue, YCUA staff has begun the effort to prepare an RFP for the Authority's banking needs. He acknowledged that even though National City now appears to be secure and liquid, YCUA staff thinks that perhaps their fees may not be the best that the Authority can get. Mr. Thomas confirmed that YCUA has upgraded its services a fair number of times over the past few years such as the addition of ACH and credit card payments and staff members think that the Authority might be able to secure a better deal on the banking fees by going out for RFPs. He explained that staff met with the Finance Committee last week and discussed the RFP process.

Larry J. Doe interjected that it might be a good idea to sweep those funds into treasury bonds until the worst of the financial crisis is over, since they are 100% guaranteed. Dwayne Harrigan responded that sweep accounts are secure because they are money market accounts. He indicated that the Authority's biggest fear was that, if something happened, the money would be tied up for a period of time and YCUA would not be able to

make its bond payments or meet payroll. Mr. Harrigan also explained that because of the image of National City right now, they did not think the name of the bank would change.

Informational only; no motion from the Board required.

4. OLD BUSINESS:

I. Annual Performance Evaluation of the Director – Deedra Climer Bass

Ms. Bass directed the Board's attention to her memo relating to the performance evaluation of the YCUA director. She indicated that all Board members should complete the evaluation and return the forms to her by November 13th. Ms. Bass also explained that she will compile the results and have a report that will be considered during a closed session of the Board at the November meeting. She pointed out that she would prefer to receive the completed evaluations electronically so the forms will be emailed as well. Ms. Bass explained that if any Board members wish to review a copy of last year's evaluation, they should request a copy from Gwyn Belcher.

Informational only; no motion from the Board required.

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 \$4,322,518.94 with an addendum in the amount of \$183.75. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

7. PUBLIC COMMENTS:

Angela Tabor, AFSCME staff representative addressed the Board in order to inform them of labor union matters.

8. ADJOURNMENT: Motion by Doe to adjourn the meeting at 9:52 a.m. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

Respectfully submitted,



MARK NAMATEVS, Vice-Chair