



Minutes

**YPSILANTI COMMUNITY UTILITIES AUTHORITY
BOARD OF COMMISSIONERS MEETING
Tuesday, December 16, 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 9:07 a.m.
2. **MINUTES OF THE PREVIOUS MEETINGS:** Motion by Doe to receive and file the minutes of the November 25, 2008 meeting as presented. Support by Peoples. In favor: All. Opposed: None. (Motion carried.)
3. **NEW BUSINESS:**
 - A. **Informational Item – Presentation re: YCUA Service Center – T. Michael Jessee**

Mr. Jessee advised the Board that the YCUA Service Center has worked feverishly to put together a presentation for them to illustrate what they do on a daily basis. He indicated that the report was prepared by Director of Service Operations Henry Gerst, Supervisor of Transmission and Distribution Keenen Crump, Service Center Forman Ben Amrhein, Service Center Forman Mike Shaffer, and Meter Department employee Gary Bondie, all of whom were in attendance at the meeting. He pointed out that Mr. Bondie put the Power Point presentation together. Mr. Jessee directed the Board's attention to Mr. Amrhein and Mr. Shaffer, who narrated the presentation.

After the presentation, Mr. Jessee indicated that not only has the TV truck paid for itself in terms of the elimination of sanitary sewer backups but also due to the savings associated with not having to hire a contractor to do the televising. Mr. Jessee stated that thanks go to the YCUA Board of Commissioners for approving the purchase of this equipment in 2007. He

acknowledged that the Service Center is head and shoulders above where it was five years ago and that this can be attributed to Henry Gerst. Mr. Jessee confirmed that Mr. Gerst does a great job administratively and also provides the employees with the tools they need to make things happen. He explained that this falls back on Keenen Crump and his crew of foremen: Mike Shaffer, Ben Amrhein, Jerry Evans, and Randy Burke. Mr. Jessee pointed out that thanks are also due to the workers doing the inspections and running the camera truck.

He also stated that the Chief Steward of AFSCME, Pat Morris, and Terry Osborne, a Bargaining and Grievance Committee member were also in attendance at the meeting.

J. Ray Scott advised the assembly that, in any city, there are three groups of individuals that citizens rely heavily upon: police, fire, and water. He indicated that people need to feel great integrity within these services. Mr. Scott also explained that this presentation indicates that YCUA is on top of the latest technology. He pointed out that he is very proud to be a member of YCUA. Mr. Scott explained that he feels fortunate to be instructed in what the Authority's employees do so that he can pass that information on in an educated way. He further advised that he would like to make this presentation available to the public so that they are aware that the Board has had this observation.

Gwyn Belcher interjected that the plan is to have each department provide a similar presentation to the Board and YCUA's employees every few months.

Informational only; no motion from the Board required.

B. Request to Approve –YCUA Resolution No. 08-11 re: Retirement of Harry Patterson – Larry R. Thomas

Mr. Thomas advised the Board that Harry Patterson, a 21-year employee of YCUA, has requested retirement as of December 31, 2008. He indicated that Mr. Patterson is a meter service technician. Mr. Thomas directed the Board's attention to the normal resolution commending Mr. Patterson for his good work and expressing best wishes in his retirement.

Mr. Thomas recommended approval of YCUA Resolution No. 08-11 re: Retirement of Harry Patterson.

Motion by Peoples to approve YCUA Resolution No. 08-11 re: Retirement of Harry Patterson. Support by Bass. In favor: All. Opposed: None. (Motion carried)

C. Request to Approve –YCUA Resolution No. 08-12 re: Retirement of

John Nowling – Larry R. Thomas

Mr. Thomas advised the Board that John Nowling is a 26-year employee of YCUA and is currently a maintenance supervisor. He indicated that Mr. Nowling has requested retirement as of December 26, 2008. Mr. Thomas directed the Board's attention to the normal resolution commending Mr. Nowling for his good work and expressing best wishes in his retirement.

Mr. Thomas recommended approval of YCUA Resolution No. 08-12 re: Retirement of John Nowling.

Motion by Doe to approve YCUA Resolution No. 08-12 re: Retirement of John Nowling. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

D. Request to Approve – Revised Purchasing Policy – Larry R. Thomas

Mr. Thomas reminded the Board that the Authority's Finance Director, Dwayne Harrigan, brought to staff's attention, and subsequently to the Board's attention, the availability of the Michigan Intergovernmental Trade Network, known as MITN, for purchasing equipment and services for YCUA throughout the state. He indicated that the network allows governmental users to purchase materials and equipment at other municipalities' bid prices. Mr. Thomas also explained that, when this was brought to the Board's attention, staff advised that the purchasing policy would be revised to allow for the usage of the MITN system and to consider prices from that system to have been competitively bid. He directed the Board's attention to the revised policy enclosed in their packets, which allows for the MITN usage.

Mr. Thomas explained that, as staff got into the revisions, Mr. Harrigan recommended that much of the operating procedural portion of the original policy be put it into a standard operating procedure and to put only the policy requirements in the policy. He further advised that the revised version reflects those recommendations. Mr. Thomas stated that the new policy also features language regarding sole source purchases for Class B-type items, which are between \$2,500 and \$9,999, as this had been neglected in the original policy.

He acknowledged that the YCUA Finance Committee has not been able to meet on this item but the document has been circulated among the committee members and that all of their questions and comments have been addressed. Mr. Thomas confirmed that the Finance Committee members are satisfied with the document.

Mr. Thomas recommended approval of the Revised Purchasing Policy as presented.

Motion by Peoples to approve the Revised Purchasing Policy as presented.
Support by Doe. In favor: All. Opposed: None. (Motion carried)

E. Request to Approve –Wastewater Treatment Plant Expansion / Improvements Project Closeout – T. Michael Jessee

Mr. Jessee advised the Board that Tetra Tech has submitted a budget amendment in the amount of \$36,000 for the closeout of the wastewater treatment plant expansion. He indicated that the expansion project began in the late 1990s with design and financial evaluations and continued through to this year. Mr. Jessee also explained that a finalization was received late last fall on the IDI issue relating to the incinerator. He pointed out that Tetra Tech stood by YCUA throughout those negotiations, which turned out to be quite tedious. Mr. Jessee explained that a couple of items were brought to the Board during those negotiations as well. He further advised that the negotiations with Tetra Tech and Tom Daniels resulted in a reduction of \$93,690 to the contract.

Mr. Jessee stated that YCUA is still withholding payment to IDI in the amount of \$100,000 in lieu of O & M manuals and some as-built drawings. He acknowledged that electronic copies of the O & M manuals were received this week but that they have not yet been reviewed by staff.

Mr. Jessee confirmed that, with approval of this item, the contingency expenditures will be \$4,477,683 of the \$6 million that was budgeted.

Mr. Jessee recommended approval of the Wastewater Treatment Plant Expansion / Improvements Project Closeout in the amount of \$36,000.

Larry R. Thomas added that this item was circulated to the Finance Committee via email and their questions have been addressed. He advised the Board that the committee is in agreement that this item should be approved. Mr. Thomas indicated that Aaron Sprague has expressed his desire to close out the WTUA trust fund because of the small expense in maintaining that fund but that YCUA is not in favor of doing so because of the ongoing issue with Bioclimatic regarding the air ionization system. Mr. Thomas also explained that this item was originally requested a year ago or more but was not brought forward until the whole issue with IDI was resolved and some \$100,000 in concessions were received.

Mr. Jessee advised the Board that Tetra Tech actually began prompting the Authority for this budget amendment in April or May of 2007 but that YCUA would not agree to it until the IDI negotiations were finalized. He indicated that, even after that, there were multiple discussions between

YCUA staff and Tetra Tech concerning the budget amendment. Mr. Jessee also explained that, because of the successful negotiations with IDI and the major cost reduction, the Authority gave the budget amendment its support and brought it forth to the Finance Committee. He pointed out that the actual amount of the concessions was approximately \$93,000.

Motion by Doe to approve the Wastewater Treatment Plant Expansion / Improvements Project Closeout in the amount of \$36,000. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

F. Request to Approve – Snow Road Project Final Change Order – T. Michael Jessee

Mr. Jessee reminded the Board that the header at the Snow Road pump station was replaced and a redundant header installed so that specific pumps can be isolated for maintenance. He indicated that this work has been completed and the final change order has been brought to the Board for their approval. Mr. Jessee also explained that the change order reflects a reduction of \$77,000 in the contract price relative to three items.

He pointed out that the first item is an additional cost of \$3,000 relative to the painting of the stairs and rails, which was not included in the bidding documents. Mr. Jessee explained that Titus agreed to share that \$6,000 cost with the Authority.

He further advised that the second item relates to an underground allowance of \$75,000 in the event that exploratory excavation was required to determine what materials were in the ground. Mr. Jessee stated that this item turned out not be necessary.

He acknowledged that the third item relates to \$5,000 in the event that the natural gas line for the station needed to be relocated. Mr. Jessee confirmed that this did not occur.

He explained that the final balance on this contract is \$732,000, which is a reduction of \$77,000 from the total price of \$809,000.

Mr. Jessee recommended approval of Snow Road Project Final Change Order in the amount of \$77,000.

Motion by Peoples to approve the Snow Road Project Final Change Order in the amount of \$77,000. Support by Bass. In favor: All. Opposed: None. (Motion carried)

G. Request for Final Acceptance – R & L Transport as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that R & L Transport, located on Emerick Street near Ecorse, built a large addition onto their facility. He indicated that, within that project, there is approximately 1,355 feet of 16-inch diameter water main and 570 feet of eight-inch diameter water main items. Mr. Jessee also explained that there is a maintenance and guarantee bond in place.

Mr. Jessee recommended acceptance of R & L Transport as a public utility.

Motion by Bass to accept R & L Transport as a public utility. Support by Peoples. In favor: All. Opposed: None. (Motion carried)

H. Request for Final Acceptance – Huron Meadows Condominiums as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that this item relates to a condominium complex on Prospect between Holmes and Clark Road. He indicated that there is 840 feet of eight-inch water main and 700 feet of sewer inside this complex.

Mr. Jessee also explained that there is no maintenance and guarantee bond in place and that the escrow monies would be used in the event that any repairs were needed. He pointed out that this procedure was approved by the Board previously so that some of these developments could be moved off of the books.

Mr. Jessee recommended acceptance of Huron Meadows Condominiums as a public utility.

Motion by Doe to accept Huron Meadows Condominiums as a public utility. Support by Bass. In favor: All. Opposed: None. (Motion carried)

I. Request for Final Acceptance – O & W, Inc. as a Public Utility – T. Michael Jessee

Mr. Jessee advised the Board that this project has been complete for about three years but fell through the cracks. He indicated that there has been a maintenance and guarantee bond in place for a little less than two years, which is about to expire. Mr. Jessee also explained that there are no issues with the facility. He pointed out that there is approximately 2,550 feet of eight-inch water main and 1,020 feet of 10-inch sewer main on the property. Mr. Jessee explained that O & M is a distillery distribution point located off of McGregor Road.

Mr. Jessee recommended acceptance of O & W, Inc. as a public utility.

Motion by Peoples to accept O & W, Inc. as a public utility. Support by Bass. In favor: All. Opposed: None. (Motion carried)

J. Fund Balance Report - Larry R. Thomas

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

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

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

J. Ray Scott inquired as to whether YCUA is likely to incur any costs relative to the consumption changes that DWSD has been talking about passing on to its customers. Larry R. Thomas responded that he has been going to monthly meetings over the past several months regarding the Detroit rates and their various issues. He indicated that DWSD runs two different systems, the city's system and the suburban system, and that the costs associated with those systems are kept separate.

Mr. Thomas also explained that the decrease in usage within the City of Detroit affects the residents there but does not affect the suburban area. He pointed out that the suburban area has also experienced a decrease but not at the same significant level as the decrease in the City of Detroit. Mr. Thomas explained that, as a result, the suburban customers will see an increase in its rates due to that suburban usage decrease.

Larry R. Thomas advised the Board that, at the last month's meeting, Larry J. Doe had a question regarding the depreciation figures shown in the annual audit. He indicated that the monthly Net Assets Report is modeled after the year-end audit report and that the audited figures always show depreciation because it is required by GAP and GASBI.

Mr. Thomas also explained that the Net Assets Report includes a departure from regular audited figures and shows the depreciation in the expense figures as well as the results once it is taken out. He pointed out that, in each month for the year, those expense figures include \$991,000 worth of depreciation. Mr. Thomas explained that, for the first quarter of the year that this report covers, there is almost \$3 million of depreciation shown in

the Authority's expenses. He further advised that the operating income without depreciation is \$1.8 million. Mr. Thomas stated that this cash needs to be used to pay for the net of the non-operating activities that occur below the operating income lines and the cash left over from that is first pay for the bond principal payments. He acknowledged that only then can it be used for capital acquisition.

Informational only; no motion from the Board required.

L. Usage Report – Consumption Report - Larry R. Thomas

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

Informational only; no motion from the Board required.

M. Attorney's Report – Thomas E. Daniels

Mr. Daniels advised the Board that he has three items to report on this month.

He indicated that the C.A. Hull matter, which relates to the damage to the sewer main at the Harris Road overpass during the construction of the sound wall, was not settled at the settlement conference on December 8th. Mr. Daniels also explained that the case is now scheduled for non-jury trial on March 9, 2009 in Washtenaw County Circuit Court. He pointed out that subpoenas have been sent out for some C.A. Hull witnesses that will be compelled to be there and trial preparations have begun. Mr. Daniels explained that Keenen Crump and Mike Shaffer will be witnesses on YCUA's behalf and that they have been very helpful in determining YCUA's role in the staking of the sewer main prior to the time that it was damaged by C.A. Hull.

He further advised that the Authority has settled with URS and has received the settlement documents for review. Mr. Daniels stated that the documents look good and a settlement should be resolved very shortly.

Mr. Daniels advised the Board that pre-trial discovery in Federal court continues in the Meade Westvaco matter. He indicated that there is no trial date yet.

Mr. Daniels also explained that the hearing on the WTUA arbitration is scheduled for January 12 through 14 in Ann Arbor. He reminded the Board that he reported last month that WTUA's motion to summarily dismiss YCUA's claim was set for hearing in November and then adjourned to the previous Monday. Mr. Daniels explained that he and Larry Thomas attended that hearing and received an order from the

arbitration panel that the motion was denied. He further advised that his reaction to the result of the hearing is very positive. Mr. Daniels stated that the panel demonstrated that they have a good understanding of the case and the contractual relationship between YCUA and WTUA.

He acknowledged that some expert witnesses will be testifying on YCUA's behalf regarding the accounting issues that are arranged in this case. Mr. Daniels confirmed that one of those experts is a gentleman from the Government Finance Officers Association in Chicago. He explained that he is leaving for Chicago on Monday to meet with him and prepare his testimony for video presentation at the time of the hearing. Mr. Daniels pointed out that the other witness is Susan Kattelus, a former dean of the accounting division at Eastern Michigan University and now a tenured professor at Michigan State University.

Informational only; no motion from the Board required.

N. Director's Report - Larry R. Thomas

Mr. Thomas advised the Board that he has one item to report on.

He indicated that the two positions that are becoming available due to retirements will not be filled until such time as the Authority can make a determination on the direction of the economy, particularly with Ford and GM. Mr. Thomas also explained that staff has met with the leadership of the two labor unions at YCUA and informed them of the situation.

Informational only; no motion from the Board required.

4. OLD BUSINESS:

O. Request to Approve – Bridge Road Water Storage Tank Project – T. Michael Jessee

Mr. Jessee reminded the Board that this item was tabled at the previous month's meeting pending some research into the possibility of having a mural painted on the water tank. He indicated that YCUA staff is in the process of getting in contact with Ann Arbor Schools because some of the students there participated in the design of the Ann Arbor water tank. Mr. Jessee also explained that the Ann Arbor water department has been contacted as well but a response has not yet been received.

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 \$1,806,553.48 with an addendum in the amount of \$1,023.75. Support by Doe. In favor: All. Opposed: None. (Motion carried)

7. **PUBLIC COMMENTS:**

There were no public comments for the month.

8. **CLOSED SESSION:** Larry R. Thomas recommended adjourning the open session and calling to order a closed session in order to discuss his performance evaluation. Motion by Peoples to accept Mr. Thomas's recommendation for adjourning the open session and calling to order a closed session in order to discuss his performance evaluation. Support by Bass. By roll call vote: Ayes: J. Ray Scott, Deedra Climer Bass, Larry J. Doe, and Gregory A. Peoples. Nays: None. (Motion carried)

(Board then met in closed session.)

9. **ADJOURNMENT:** Motion by Peoples to adjourn the meeting at 10:33 a.m. Support by Bass. In favor: All. Opposed: None. (Motion carried)



Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'DBass', written over a horizontal line.

DEEDRA CLIMER BASS, Secretary/Treasurer