

Northport/Leelanau Township Utilities Authority
116 W. Nagonaba, PO Box 158 Northport, MI 49670

Draft Minutes

July 18, 2023

Regular Meeting

I. CALL TO ORDER Chairman Chris McCann called the meeting to order at 9:30 a.m.

II. ROLL CALL Board Members Present: Chris McCann, Chris Holton, Mike McMillan, William Harper and Rick Cross. **Absent:** None **Staff Present:** Joni Scott, Cindy Edmondson

III. ADDITIONS OR AMENDMENTS TO THE AGENDA

Commissioner Rick Cross asked to move agenda Item 6 moved to #4 on the agenda.

IV. APPROVAL OF BOARD MEETING MINUTES

Rick Cross Moved, Supported by William Harper to approve the June 27, 2023 Regular meeting minutes as submitted. Motion Carried.

Rate Study Proposal from Utility Financial Solution, LLC Dawn Lunn:

Dawn Lunn, the Vice President of Utility Financial Solutions, LLC, presented a proposal in the amount of \$16,900. The firm specializes in cost-to-service studies, financial plans, and special rate designs for utilities in the U.S., Canada, and the Caribbean.

The primary service entails a financial projection addressing current needs, including revenue requirements and capital improvement costs. This segment of the service is priced approximately \$4,000 less than the entire proposal. The secondary phase pertains to potential adjustments in rate structures or the introduction of meters. This is deemed non-immediate and can be pursued later. However, should it be revisited after a year, the financial projections would require updating.

Utility Financial Solutions can provide a financial projection to address current needs. Decisions about changing rate structures or adding meters for longer-term considerations. The board was encouraged to evaluate the pros and cons of different rate structures and financing methods to establish a more equitable system.

Rate Study Proposal from Bakertilly, Andy Campbell:

Andy Campbell of Bakertilly outlined the firm's rate proposal to the board. The company, previously named "Umbaugh," has a history with the Village of Northport. Their proposal offers comprehensive rate studies for sewer funds and financial plans for 5 to 20 years. Emphasizing transparency, they utilize a cash-based analysis approach and conduct two to three in-person meetings for open discussions. The usual project duration is three to five months, and they quoted a flat fee of \$11,504.

While primarily using virtual meetings, they accommodate up to two in-person meetings with flexibility. The firm has also listed past communities they've worked with as references.

The Board deliberated on the importance of estimating the NLTUA system's operating and capital improvement costs for the forthcoming 5-10 years for grant application purposes. They are primarily focused on understanding projected costs, while methods of data collection, like meter adjustments, are of lesser concern. Andy Campbell from Bakertilly clarified that while they can help with operational expenses and budget forecasting, they count on the authority or their engineers for capital improvement estimates. The board acknowledged the previous capital plan provided by Treatment Plant Operators Jacobs. During the grant discussion, the State Revolving Fund, a mix of grants and loans, was identified as a prominent option for utilities. Bakertilly also highlighted their credentials as registered municipal advisors.

V. PUBLIC COMMENT:

Betsy Mallek- addressed the board by highlighting the REU structure currently in place. She pointed out that many utilities employ a seasonality rate structure. However, if the board decides to implement such a structure, it could result in reduced revenues. This is because those using services seasonally would end up paying less during their off months. Mallek questioned how the board and its advisors plan to address this potential revenue loss while still striving for a fairer rate system. Currently, regardless of usage or presence, all customers pay the same rate. She stressed the need for careful consideration before making rate changes.

VI. PAYMENTS OF BILLS

Rick Cross **Moved, Supported by** Will Harper to approve the bills to be paid for the months of June-July in the amount of \$21,880.79

Roll Call Vote Yeas (5) Nays (0) Absent (0) Motion Approved

VII. STAFF REPORTS

A. Treasurer/Clerk Report:

Clerk Scott presented and reviewed several reports: the trial balance, revenue expenditure, cash transaction report, and a custom worksheet. The worksheet was designed as a tool for the board to track ongoing tasks and manage items.

The Village Interim Manager inquired about the loan from the Village of Northport due to feedback and confusion from the public. People had differing beliefs about the financial ties between the village and the NLTUA. Some residents believed that NLTUA borrowed \$800,000 from the village based on calls and questions from a previous meeting. Clerk Scott clarified the financial situation. Currently, the NLTUA has borrowed \$135,050.25 from the village. Scott noted that the confusion regarding the loan amount remains unclear, though it could stem from misinterpretations of the liabilities and assets on the trial balance or audit.

Liaison Report: Liaison Edmondson informed the Board that billing is set to be executed for approximately \$150,000, either later in the day or by the next day. This billing corresponds to the quarter encompassing April, May, and June.

B. Superintendent Report:

The Superintendent updated the board on various activities:

1. Treatment Plant Maintenance: The DPW staff have taken over mowing responsibilities for the treatment plant areas, resulting in cost savings by not contracting the work out.
2. Residential Connection: A new connection on Under Point Road was successfully completed and is operational.
3. Filter Replacements: Several filters on North Shore and South Shore have been replaced or added, particularly for new constructions on North Shore.
4. Force Main Cleaning Proposal: Contact has been made with Monchilov Sewer Services for a potential force main cleaning project, with anticipation of a proposal given their previous collaborations.

C. Treatment Plant Operator Report:

David Waldman, standing in for Mark Huggard from Jacobs, delivered a report alongside regional manager, Nick Lindsey. The monthly data showed a slight decrease in plant flows. In June, they performed grease inspections and found minimal buildup, though there was some accumulation in "Manhole 29". Despite the decreased need for grinder pumps in the recent month, the demand is rising in July, leading Jacobs to replenish their stock. Projects in progress include an upgrade to the sensory lift station control and a pending aeration blower replacement at the wastewater plant, with the blower awaited from Germany.

VIII. COMMITTEE REPORTS

None

IX. CORRESPONDENCE:

None

X. DISCUSSION/ACTION ITEMS

• Update on Intergovernmental Agreement:

Chris McCann reported since the last village council meeting, where additional funds and deferred payments were approved. McCann stated he hasn't had a chance to discuss the details of the intergovernmental agreement with Ross Hammersley, mainly due to peak season at the golf course. Interim Village Manager Chet Janik added that he had spoken to Mr. Hammersley about the Intergovernmental Agreement. However, Janik had advised Hammersley to prioritize the REU

(Residential Equivalent Unit) questions as the main focus of their research. Hammersley is believed to be currently working on this.

The NLTUA Board emphasized the importance of involving their legal counsel in discussions regarding the REU connection fees, in collaboration with the legal team from the Village of Northport.

William Harper **Moved, Supported by** Chris Holton to have Ross Hammersley, the legal counsel for the Village of Northport, confer with their own legal counsel, Thomas Grier, about decision-making concerning the sewer connection fee and REU determination.

Board member Rick Cross recommended an amendment to the motion, stipulating that the Board receive an opinion that incorporates insights from both attorneys. This amendment was endorsed by Harper and backed by Holton. Chair McCann clarified that voting on the motion included the amendment. **Motion Carried.**

- **Woolsey Lake Road Sewer Main Extension:**

Superintendent Chris Holton provided an update on the pressurized main for the Woolsey Lake sewer main extension, stating that they are currently awaiting bids and proposals on the project.

- **Cleaning of Pressurized Main**

The NLTUA Board and treatment plant operators discussed the cleaning of the pressurized main between the main lift station and treatment plant. Significant costs are anticipated due to the need for a bypass pump and haul truck during cleaning. While there was a proposal to use a camera to inspect the main for deterioration, this would require installing special valves. Some believe the camera might be unnecessary as operators can identify issues based on what's expelled during cleaning. Superintendent Holton is awaiting a cost estimate from Monchilov's Sewer and Service as a second proposal.

- **Fairway View Project Sewer Permit:**

Clerk Scott provided the board with a copy of the Fairway View Project sewer permit, which is based on the current REU schedule. Scott reached out to Michelle Hemeyer post-meeting, referencing the NLTUA Rules and Regulations about sewer main extensions, noting the Authority Board's right to appoint an engineer at the developer's expense. Scott's email to the project owners recommended they provide the NLTUA with a capacity study from their engineers. The current sewer permit for the Fairway View Project was based on the proposals made at the Planning Commission in April.

- **Status of grants related to Jennifer Hodges with Gordy Fraser Engineering:**

Rick Cross shared his conversation with Jennifer, emphasizing the need for the board to complete the cost analysis. This is essential for Jennifer to proceed with grant applications. Cross proposed a special meeting to decide on one of the rate proposals discussed in the session. The Board concurred and scheduled a special meeting for July 25 at 1 pm.

- **PFAS regulations at the Treatment Plant:**

Clerk Scott discussed the PFAS regulations concerning the Treatment Plant. The NLTUA conducted a PFAS test on the Biosolids at the Treatment Plant last fall, which showed elevated levels. Subsequent conversations were held with EGLE, resulting in certain restrictions being placed on the NLTUA. However, a recent email from the State revealed that all these restrictions have now been lifted. Superintendent Chris Holton added that they conducted field testing last fall, specifically targeting a few areas in the light industrial zone. Their goal was to identify potential sources of the PFAS, and they have since educated all the businesses in the area about the issue.

- **Board of Public Works Meeting for the NLTUA:**

Chet Janik provided an overview of the county's Board of Public Works, which is responsible for monitoring the finances of the sewer system and ensuring that the county receives the necessary funds to make payments on the bonds. He mentioned that the board underwent restructuring, as some members of the Road Commission were not aware that they were part of the Board of Public Works. The current composition of the Board of Public Works includes the seven commissioners, which includes the Treasurer, and the Drain Commissioner, Steve Christiansen. Janik noted that the upcoming Board of Public Works meeting is scheduled for July 18 at 4:30 PM. He suggested that it would be beneficial to have the township supervisor and the village president present at the meeting. He emphasized that the primary purpose of the meeting is financial oversight, and contrary to some misconceptions, the county does not have the authority to override decisions made by the NLTUA. Their main responsibility is to ensure that bond payments are made to the state of Michigan on an annual basis.

VIII. PUBLIC COMMENT

John Lesperance- raised concerns about potential changes in connection fees, specifically in relation to a new development proposal. He questioned if the change in connection fees was only for one particular entity and what determined their eligibility for special treatment, especially when long-standing village taxpayers have been bearing the financial burden of the sewer for many years without any reductions or special considerations. Lesperance emphasized that the proposed development was not a non-profit venture but a for-profit project, potentially offering high-rent apartments. He questioned why the sewer authority might consider subsidizing a profitable enterprise. He stressed the lack of public disclosure on the matter, claiming that the majority of the village residents who pay for the sewer service are unaware of these potential changes in fees for the developer. Lesperance mentioned an article in the Enterprise that he felt was biased in favor of the developers. He believes most people are unaware of these discussions and decisions, characterizing them as happening "behind closed doors." He called for transparency and fairness for all village residents.

Betsy Mallek- expressed her concerns regarding the board's consultation with attorneys. She highlighted that when the NLTUA board was formed, it was presented as an autonomous entity with equal representation. Mallek questioned why the board frequently defers to the village attorney, Ross Hamersley, and seems to neglect their own designated board attorney. She found no mention of consulting with the township attorney and feels this could lead to an imbalance in representation and decision-making. Mallek urged the board to reconsider their approach to ensure equal and fair representation in the future.

IX. MEMBER COMMENTS

William Harper- addressed the questions regarding the potential changes in connection fees for a particular development. He clarified that there hasn't been any decision made yet about whether there will be a negotiated connection fee. Emphasizing transparency, he stated that discussions about such matters would be held in public meetings, ensuring the community has full awareness and a chance to participate. William recognized that this issue might be controversial and voiced his opinion on the benefits of accommodating the proposed housing development, like addressing the area's labor shortage and housing demands for essential workers. He reiterated that these are his personal views and might not resonate with everyone. William assured the public that all discussions would be held openly and encouraged community members to voice their concerns during these forums.

Mike McMillan- clarified his position and involvement in the ongoing discussions. He confirmed that no decisions have been made outside of the current discussions. Mike emphasized that any information he has is derived from these public sessions. McMillan emphasized his commitment to a transparent process and ensuring that all decisions are made openly and publicly.

Rick Cross- addressed the issue surrounding the \$800,000 that was discussed earlier. He clarified that while the impression might have been given that this figure appeared without foundation, it did have its roots in historical data. He pointed out that starting in 2018, funds that should have been transferred to the village were not, and by 2020, an audit identified about \$400,000 owed under the category "Amount Due to Other Government Agencies." By a subsequent 2022 audit, this number had increased to nearly \$800,000. Rick stressed that while there might not have been a formal loan process, it doesn't negate the fact that the amount was owed. He expressed his dissatisfaction with how the situation was characterized earlier and emphasized that the concerns surrounding this money are valid and not baseless. He believes that distinguishing between a "loan" and a "liability" is a needless debate, emphasizing the reality of the owed money.

Clerk Scott responded to Rick Cross's earlier remarks about the \$800,000 issue. Scott emphasized that while discussing the amount owed, it's equally essential to recognize the amount of cash that was available during those periods. Scott pointed out that the funds were held in a restricted manner for those specific payments. Scott's main contention was that talking about the liability without considering the cash on hand might lead to confusion or misrepresentation of the situation. She urged for a more comprehensive understanding of the financial situation.

X. ADJOURNMENT

William Harper Moved, Supported by Mike McMillan to adjourn the meeting. Motion Carried. The meeting was adjourned at 11:25 am.

Respectfully Submitted by:

Joni L. Scott, NLTUA Clerk