

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

Draft Minutes

November 21, 2023

Regular Meeting

**I. CALL TO ORDER** The meeting was called to order with the Pledge of Allegiance at 9:30 a.m.

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

**III. ADDITIONS OR CORRECTIONS TO THE AGENDA**

Chair McMillan corrected the name of the resolution name under discussion/potential action items to correctly state; a resolution to name the office of NLTUA deputy treasurer to be operated out of the Leelanau Township Treasurer's Office.

William Harper Moved, Supported by Chris McCann to accept the agenda as corrected. Motion Carried.

**IV. APPROVAL OF MINUTES**

William Harper Moved, Supported by Chris Holton to approve the October 17, 2023 Regular/Annual meeting minutes as submitted. Motion Carried.

**V. PUBLIC COMMENT/CORRESPONDENCE**

None

**VI. PAYMENT OF BILLS**

William Harper **Moved, Supported by** Chris Holton to approve the bills to be paid for the months of October-November in the amount of \$170,493.48

Roll Call Vote: Yeas (5) Nays (0) Absent (0) Motion Carried.

**VII. STAFF REPORTS**

**A. Clerk Report:**

Clerk Scott provided a cash transaction, trial balance and revenue/expenditure reports to the Board. Scott also informed that she collected a sewer connection payment for a new single-family home on Calhoun Lane.

**Deputy Treasurer:**

None

**B. Superintendent Report:**

Superintendent Holton's report covered several key points, including routine system maintenance involving flushing to clear lines in the northern area. Manhole inspections were conducted to ensure system integrity, and a new connection was established at 6 Rose Street. Unfortunately, one monitoring well was vandalized, requiring a replacement.

**C. Treatment Plant Operator Report:**

No Report

**VII. DISCUSSION/ACTION ITEMS**

- **Completed Report from Utility Financial Solutions- Rate Study**

The Board reviewed a memorandum from their attorney, Thomas Grier, which had also been reviewed by the Village of Northport attorney, Ross Hammersley. Trustee Harper expressed the need to put the recommendations from the memorandum on the next agenda for both this board, the village, and the township, as it appears there are actions required by all three entities. Harper emphasized the importance of getting everyone on the same page to remedy the situation efficiently, and he mentioned that most of the legal fees have likely been paid.

The recommendations, which are not confidential, address issues related to fairway view project which is available on the NLTUA website.

- **Presentation with Dawn Lund, Utility Financial Solutions:**

William Harper **Moved, Supported by** Chris McCann to recommend to both the Village and Township Boards to approve scenario one of the Utility Financial Solutions rate study report. This scenario recommends an 8% annual increase to the operations and maintenance fees for the next four fiscal years. **Discussion:** The discussion highlighted the importance of this increase for covering operational costs, ensuring infrastructure

maintenance, and retiring debt on time. It was emphasized that not implementing this increase could leave the utility vulnerable to unexpected failures. While acknowledging that an 8% increase would result in a modest additional cost for users, the consensus was that it's a responsible step to secure the utility's financial stability.

**Roll Call Vote:** Yeas (5) Nays (0) Motion Carried.

William Harper **Moved, Supported by** Chris Holton to request that the Village Council fulfill their prior commitment to the NLTUA. This commitment involves a previous loan of \$350,000, of which the NLTUA only utilized \$135,000 at the time. They now require an additional \$190,000 to fund the Capital Improvement Projects (CIP) for the upcoming budget year. The request also includes a proposal for the same repayment terms as the previous loan, with payments to be completed by February 2028 and a 2% interest rate.

**Roll Call Vote:** Yeas (5) Nays (0) **Motion Carried.**

Clerk Scott agreed to draft a resolution for both the Village and Township to adopt at their next December meeting outlining the rate increase and loan.

- **Draft Budget for the 2024-25 Fiscal Year:**

Clerk Scott presented a preliminary budget worksheet to the Board, stating that with the Board's approval of the Utility Financial Report's recommendations, drafting the budget should be straightforward. She assured the Board that she would prepare a new budget document, focusing on the Capital Improvement Projects detailed in the Utility Financial Solutions Rate study report, and present it at the meeting scheduled for December 19, 2023.

- **Resolution to name the office of Leelanau Township Treasurer the NLTUA Deputy Treasurer.**

Chair Mike McMillan provided a draft resolution to name the Leelanau Township office of Treasurer the NLTUA Deputy Treasurer.

William Harper **Moved, Supported by** Mike McMillan to approve the following resolution as amended;

Whereas NLTUA's auditor Dennis, Gartland & Niergarth as found in at least its last two audits that NLTUA's segregation of accounting duties is a material weakness and that NLTUA has a cost-effective means to significantly improve its internal controls by using the services of Leelanau Township

Therefore, be it resolved that the NLTUA board shall hereby create an office of NLTUA Deputy Treasurer housed in the office of the Leelanau Township Treasurer. That the Deputy

Treasurer shall establish an accounts receivable checking account at Huntington Bank in Northport, MI. The purpose of the account will be deposit payments received from the Utility's users for Utility operations, Village of Northport debt retirement and Leelanau Township debt retirement and distribute the received funds in a timely manner to the appropriate entities.

Be it further resolved that the NLTUA board shall establish a subcommittee to write a job description for the NLTUA deputy treasurer and revise the job description for the NLTUA clerk and that this motion shall be implemented by December 4, 2023.

**Discussion:** Village Manager Jim Dyer recommended removing the last sentence of the second paragraph from the resolution. He pointed out that the allocation of funds is already well-defined in the existing accounting procedures, and including it in the resolution might cause unnecessary complexity.

Dyer also clarified that the audit findings were related to a segregation of duties issue rather than problems with accounting methods. He proposed modifying the resolution to accurately reflect this. The suggested implementation date for these changes was December 4, providing some transition time for the township treasurer to assume the responsibilities and establish an account.

Jim Dyer stressed the importance of maintaining billing and receipting processes at the village office to ensure continued service to the public. He explained that deposits would be transported to the Township Treasurer's office along with a corresponding report for reconciliation and subsequent deposit. The Deputy Treasurer would then be responsible for distributing the funds to the Village, Township, and NLTUA as needed.

**Roll Call Vote:** Yeas (4) Nays (1) Chris Holton **Motion Carried.**

- **Update on Grants and Auditing Firms:**

Chair McMillan mentioned sharing an email about a potential grant opportunity with some Board members. Village Manager Jim Dyer confirmed he received the same email regarding the grant opportunity with Trudy Galla. Dyer explained that he's pursuing a grant from the Leelanau Township Community Foundation to assist in the grant application process.

Dyer emphasized the need for two missing pieces of information. Firstly, he required an estimate of the amount they would request to be funded through the grant. Secondly, he needed a clear understanding of how the funds would be allocated. Typically, grants from this foundation are a portion of the total funds available, usually up to approximately \$300,000, considering there's about \$2.5 million available. Clerk Scott was tasked with providing details on the specific items the NLTUA intended to request funding for in the upcoming 2024-25 fiscal year.

William Harper Moved, Supported by Chris McCann to encourage the Village and Township to pursue a Distressed Communities Wastewater grant to fund the capital projects outlined in the wastewater rate study report.

**Roll Call Vote:** Yeas (5) Nays (0) **Motion Carried.**

### **Audit:**

Chair Mike McMillan provided an update on the issue concerning auditors. The current auditor is retiring. This poses a challenge because the Village, Township, and NLTUA all use the same auditor.

McMillan reported that he reached out to the auditing firm Raymond, to consider, but they ultimately declined. One of the reasons cited for their decision is that there is a declining interest in auditing services, leading audit firms to be more selective about their clients. As a result, Chair McMillan sought recommendations for new audit firms and found two potential candidates. However, one of them operates primarily in the Cadillac and Big Rapids area, and there is no indication on their website that they serve Traverse City.

McMillan plans to update the Board at the next meeting.

## **VIII. PUBLIC COMMENT**

**Alan Dalzel-** raised several issues, with the primary focus being the need to revise ordinances 5 and 96. These ordinances currently prevent cooperation between the village and the township in funding infrastructure projects for the NLTUA. Dalzel suggested making changes to these ordinances to allow for cooperation between the village and the township on such matters. Alan also mentioned concerns about hearing impairment during meetings, questioned the 80/20 cost split, and inquired about the feasibility of Timber Shores connecting to the plant.

## **IX. MEMBER COMMENTS**

**William Harper-** commented on the difference between the village and the township regarding contributions to the NLTUA debt retirement. The village has stopped using its general fund for these payments, while the township continues to do so, highlighting this as a township issue.

**Chris Holton-** expressed his reservations about the feasibility of connecting Timber Shores to the NLTUA system. He emphasized the importance of focusing on the village's needs and concerns, suggesting that extending services to Timber Shores might dilute the benefits for the village. Additionally, he mentioned the potential need for additional infrastructure like lift stations and boosters, raising doubts about the cost-effectiveness of such an expansion.

**James Root-** mentioned that although there were questions about the 80/20 split before he joined the Board, he now understands that this arrangement pertains specifically to the retirement of debt. He clarified that this explanation has made the situation quite clear to him.

## **X. ADJOURNMENT**

William Harper Moved, Supported by Chris McCann to adjourn the meeting. Motion Carried. The meeting was adjourned at 10:48 am.

Respectfully Submitted by:

Joni L. Scott, NLTUA Clerk