

Board of Public Utilities

Regular Meeting Minutes

Monday, September 29, 2014
4:00 p.m., DPW Conference Room
1199 8th Avenue



City of South Haven

1. Call to Order by Stickland at 4:00 p.m.

2. Roll Call

Present: Burr, Roberts, Rose (ex-officio), Stein (ex-officio), Stickland

Absent: Henry, Overhiser (ex-officio), Winkel

Excused: Henry and Winkel

3. Approval of Agenda

Motion by Burr, second by Roberts to approve the September 29, 2014 regular meeting agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – August 25, 2014 Regular Meeting Minutes

Motion by Roberts, second by Burr to approve the August 25, 2014 regular meeting minutes as written.

All in favor. Motion carried.

5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

None at this time.

REPORTS

6. Cost of Energy from Indiana-Michigan Power Company (AEP)

A. 2014 Billings – All Charges

B. 2013 Billings – All Charges

It was noted that the year-to-date (YTD) figure for 2014 is identical to the YTD figure for 2013.

7. Financial Reports

- A. Electric Fund – Financial Report for period ending August 31, 2014
- B. Electric Fund – Review of Percentage Billed
- C. Water Fund – Financial Report for period ending August 31, 2014
- D. Water Fund – Review of Percentage Billed
- E. Sewer Fund – Financial Report for period ending August 31, 2014

Electric Fund. In response to a question by Stickland about Capital Outlay, Hochstedler stated she does not know if everything the board has approved is in that monthly figure, so far. Hochstedler also commented, “Budgeted divided by twelve; it will all even out.”

There was discussion regarding the August figures; Burr pointed out that this August was cool so there was not a big air conditioning load.

Roberts noticed some street lights that are very bright; Halberstadt said we do have some LED (light emitting diode) and halogen lights downtown. Stickland noted that the city does not have a good inventory of number of lights, type of bulbs and so forth. Halberstadt noted it is an estimated number.

The street light at the corner of 12th and 73rd Streets is out, per Ross Stein.

Water. Regarding the YTD on the water fund, Hochstedler noted that no bond payments have been made yet. Stickland inquired about Special Assessment Revenue to which Hochstedler noted “It’s only interest we count as revenue.” Halberstadt added that the revenue is counted in the year in which the assessment was made.

Roberts asked what the reserve is on the water plant which Hochstedler stated is 2.7, noting that we are building the fund back up. Roberts asked, about the bonds that will be coming due, whether the reserve fund can be used to save interest by paying down the bonds. Hochstedler responded that the city has refunded or refinanced everywhere we can.

Roberts noted, “We just raised rates but we have reserves.” Halberstadt reiterated that no bond payments have been made this year; one million (\$1M) of that is going to be gone. Regarding request for additional reports, Hochstedler asked which the board is looking for to which Stickland responded, “Cash on hand and the reserve, if you want to call it that.”

In response to questions by Roberts, the board discussed the various components of the water bills. It was noted that the water filtration plant and the standpipe rehab are the only projects the city is still paying on. Stickland clarified that the standpipe was not a special assessment. Hochstedler explained that when she came, everything was going toward debt; all the money was being used to pay the debt and the city had no money to do anything else in the system because the debt charges were never set high enough. Stickland noted that the plant assessment fee is the highest part of the utility bill.

Sewer Fund. Hochstedler noted that there is \$994,000 in the bank and Halberstadt pointed out that the city is starting a big project on Dyckman which is going to use up a lot of that. Hochstedler pointed out that the city has the money to cover the Dyckman project. Stickland asked if that is in the budget figure and Hochstedler responded yes. Roberts asked if that is

going to solve the problems and Halberstadt stated, "Yes, the sewer is the driver on this project." In explaining the scope of the project, Halberstadt noted that the sewer work extends to Park Avenue.

Stickland asked about the public hearing for the Dyckman Special Assessment District and Halberstadt noted that there has been one public hearing and there is another coming up.

8. Unresolved Issues Report

Halberstadt stated, "Nothing new," noting that he did add the fund reserve report request. Discussion ensued regarding whether the board wants the fund reserve or cash and it was determined that the board would like to see both figures.

NEW BUSINESS

9. Board will be requested to approve award of contracts for professional services to GRP Engineering, Inc. for 2015 Electric Distribution Line Projects.

Halberstadt noted that GRP Engineering, Inc. contacted him and asked if the city wants to get started on design work on projects for the next fiscal year. Halberstadt stated that it seemed like a good idea to do that, prior to actually establishing the budget.

Stickland asked if the board can get a system map, so we can show people where it is and how it affects the system.

Burr wondered about 2018 where it says the system is loaded sixty percent (60%) above what it should be. Stickland pointed out that a system can be safely overloaded for short periods under peak conditions. Halberstadt noted that he reads that as the system is only loaded sixty percent (60%) of peak, not above peak, and commented that hopefully that number will not get above sixty (60) percent in the next three (3) years. Stickland said he has no problem with it running at 120% at peak, for an hour or two. Burr just wanted to ascertain whether this project needed to be done before 2018 but Stickland is confident it does not need to be done yet.

Stickland requested discussion by proposal.

Project #104. Halberstadt said we are talking about doing this project in 2015; rebuild some of the lines on Blue Star from 2nd and south down to 6th Avenue. Stickland asked if it gives us the ability to switch loads to which Halberstadt responded, "Yes, that is one of the main ties. This deals with tying the two substations together enabling us to switch loads in case of an outage." Halberstadt also commented that we do have some capacity to do that now, but not on a peak day; we are looking to be able to do more in the future.

Stickland explained that these figures are just for design and project oversight. Halberstadt pointed out that based on the engineering study we had done, GRP is recommending that we accelerate Project #109 because it makes sense to take care of this project while we are already in that area with Phase II of the Core City project.

Hochstedler asked if the year of the projects is calendar or fiscal to which Halberstadt responded that at this point in time it is whenever we can arrange to have a contractor in

place to do the work. Halberstadt also noted that there is intent to purchase equipment and have city crews do some small projects.

In response to questions, Halberstadt confirmed that Projects numbered 104, 105, 106, 107 and 109 for engineering services are what we need to approve.

Motion by Roberts, second by Burr to recommend that City Council award engineering services to GRP Engineering, Inc. for 2015 projects as follows:

Project #104 PR-B Blue Star Highway: \$16,000
Project #105 MS-J Lovejoy to Aylworth: \$9,000
Projects #106 and #107 Capacitor Banks: \$4,500
Project #109 MS-J St. Joseph Street: \$14,000

All in favor. Motion carried.

10. City Engineer Comments

A. Next Meeting is scheduled for October 27, 2014.

Stickland and Halberstadt are going to the Michigan Municipal Electric Association fall conference tomorrow.

11. Board Member Comments

Roberts asked for information on the SAW grant and Halberstadt explained that the SAW grant provides two things: 1) money for engineering design services for the projects identified in the SRF Project Plan. Halberstadt clarified that the SRF Project Plan is something Abonmarche started working on two (2) to three (3) years ago, to find the sources of infiltration and inflow. Abonmarche found ten (10) to eleven (11) million dollars worth of projects, of which the SAW grant will provide funding to do the engineering design for the projects. And the other part of the SAW is 2) to develop Asset Management Plans for the sanitary and storm sewers. Halberstadt clarified that this will kind of become the five (5) year plan for the storm sewer and sanitary sewer. Hochstedler said we have been awarded the grant and it shows up as revenue when you get it. "As Hochstedler said the city is going to spread the SRF projects through 2022 so the whole town isn't torn up at once. You spend it, you request reimbursement," according to Hochstedler, who also explained, "We didn't put it in our budget this year because we did not know if we were going to be awarded anything." Hochstedler said the city is going to spread the SRF projects through 2022 so the whole town isn't torn up at once.

Roberts asked if there is a time limit on spending the SAW grant money, and if the board needs to get approval from City Council to which Stickland said yes. Halberstadt explained that the city needs to get proposals; the SAW grant is a new program and the state is trying to spread the money around.

Roberts asked if the Board gets to approve the Covert Switch Yard upgrade to which Burr said *no yes*. Discussion ensued regarding collateral for the grant for the switch yard. Burr noted this has been turned over to the city attorney.

Discussion ensued regarding Covert's half million dollar SAW grant to study their system. Rose noted because of the study, Covert now has a better handle on things and noted that the Department of Environmental Quality (DEQ) approved the drainfield for another five (5) years.

Stickland noted that the city will also be looking at major improvements for the wastewater treatment.

Burr noted that the city is taking the SAW grant money for engineering and must take responsibility for corrective action or the grantor can come back and take the money. Halberstadt explained that the Dyckman project will stand as proof that the city is already taking corrective action which allows us to qualify for the SRF low interest loan.

Stickland brought up LED streetlights. Thinks it might be something to think about down the road, saves money, according to the article he read and secondly it's an upgrade of street lighting. When we get the system in shape we might want to get started with something like that. The lighting quality is much better than anything we are doing now, and more efficient, according to the article. Halberstadt said we have them on Williams Street, at the South beach parking lot and on Dewey Lane. The city has been doing some pilots on them. Burr wondered if we should do LEDs on the bridge and Halberstadt responded that the new lights on the bridge will be LED lights. Halberstadt explained that LED lights are not a single bulb, but are an array of diodes that can be distributed where you need them. Discussion ensued regarding the cost savings, efficiency and night sky compliance of LED lighting.

Stickland noted that the City of Battle Creek is going to put in a process to sell sludge to be turned into fuel; they are going to have a demonstration. Discussion ensued with Stickland noting that he is not sure how long we are going to be able to put our sludge onto farmlands and Stein noting that some of the agricultural good practice regulations do not allow sludge to be spread on agricultural lands. Halberstadt noted that one of Mulac's greatest worries is that there will come a point when sludge cannot be put on the land.

12. Adjourn

Motion by Burr, second by Roberts to adjourn at 5:05 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary