

MINUTES**I. Call to Order**

Gordon called the meeting to order at 7:00am.

II. Pledge of Allegiance**III. Roll Call**

Present: Chairman & Buchanan Township Trustee, Thomas Gordon; City Representative Commissioner, Patrick Swem; Buchanan Township Supervisor, Mindy Cole-Crocker; Brian Murphy

Absent: City Representative Commissioner, Larry Money

City Staff: City Manager, Tim Lynch; City Clerk, Kalla Langston; Water Dept Operator in Charge, Craig Miller; Director of Public Works, Mike Baker; Michigan Rural Water Association Water Quality Action Specialist, John Holland

IV. Approve Agenda

Motion made by Cole-Crocker, supported by Murphy, to approve the agenda as presented. Voice vote carries unanimously.

V. Public Comment - Agenda Items Only

None.

VI. Approve Minutes

A. *Consider approving the JWSB Minutes from February 5th, 2024.*

Motion made by Cole-Crocker, supported by Murphy to approve the minutes as presented. Voice vote carries unanimously.

VII. Unfinished Business**A. Rate Study Discussion- John Holland, Michigan Rural Water Association**Financial Planning

- a) Goal: Regarding financial viability, ensure adequate revenues and establish predictable rates.
- b) Asset Management Plan (AMP) is required by PA 399 of the Safe Drinking Water Act, OR will be in your discharge permit at the Wastewater Plant. Reoccurring maintenance uses this fund. It can be offset by Repair, Replacement, and Improvement (RRI) funds (a USDA requirement).
- c) Capital Improvement Plans do not require funding. These are for projects to make the city better like upgrading sewer mains, typically funded by loans and grants.
 - The USDA rate is low at 2.37% right now. This can be offset by RRI funds, don't tap into those unless you need to. AWWA (American Water Works Association) recommend 2-12 months of unrestricted reserves. I recommend 6 months of operating funds.
- d) Summary: We need to understand the costs and conditions. Plan for the long-term repair of the components of our water & sewer system, coordinate streets, gas, and cable.

Rate Analysis Process

- a) Add all expenses including 1) operation/maintenance/labor expenses, 2) the money you **need** to put aside for your Asset Management Plan, 3) any money you **want** to set aside for Capital Improvement Plan, and 4) your loan payments which based on 2023 audit were \$190,000 for water supply and \$310,000 for sewage principal payments.
- b) Find water heaters by size, each meter has a different residential equivalent unit (REU). A ¾” meter typically for homes is 1 REU. Others such as 1”, 2”, or 3” meters have more REU’s. Add all guaranteed monies - REU’s, water sold, and other operating revenues to offset the rates.
 - Things like late fees, buy-in fees, and tap-in fees we don’t use
- c) Then divide expenses. General ledger number 590 is sewer, 591 is water, and 592 is utilities. Buchanan records combined revenues under 592 but expends under 590 and 591. This goes against General Accounting Accepted Practices (GAAP). Discussion points;
 - Buchanan sells water and sewer services separately but charges one RTS fee. Usually there is a water RTS and a sewer RTS. Same with the interest and penalty charges, how much of those should be applied to water and how much to sewer.
 - Other operating revenue like wastewater leachate should offset sewer rates, not both rates.
 - You will see a depreciation line item in operating expenses. The depreciation number mandated by state to offset taxes can be removed because city doesn’t pay income taxes.
 - Operating expenses in the audit don’t include principal payments. True operating costs would tack on water & sewage costs, \$505,000 in payments, and your interest payments.

Moving Forward: Complete the rate study by the end of summer, ideally the end of August.

VIII. New Business

- A. 2024-2025 Water & Sewer Budget Presentation-** *City Manager, Tim Lynch will present the 2024-2025 Water & Sewer Budget.*

*See Attachment A. Water and Sewer Operating, Maintenance, and Capital Improvement Budget.

Positives: Systematic Rate Adjustments have provided a sustainable financial environment to improve our aging infrastructure as we will embark on a major project this summer. The Water & Sewer fund has \$3.5 million in investments, earning over \$150,000 a year in interest.

Challenges: Managing ever-increasing costs such as payroll, pension, insurance, utilities, and raw materials. In an environment of increasing regulatory mandates like lead service line replacement, PFAS testing, and storm water pollution management we need to budget and plan accordingly.

Budget Summary: Anticipated Revenue \$3,317,000 | Anticipated Expenses \$2,669,287 (*comparing current budget values to projected budget for next year*)

- Operating Revenue 9.6% increase
- Sewer Maintenance Expenses 10.6% increase
- Water Maintenance Expenses 7.3% increase
- Loans/Bonds Principal and Interest payments will be \$935,287. This should net \$647,713 for next year. Does not count USDA bond/loan payments for infrastructure project which we anticipate acceptance of this year.
- Capital Outlay (water & sewer small capital items to address this year) proposing \$155,000

REVENUES

- Somewhat conservative considering 8% water sewer rate increase as recommended by our bond council.
- Water Sales 21.7% increase

- RTS Charges 4.5% increase
- Water Sewer Charges 3% increase
- Interest Earned anticipating 3x more than last year
- Hydrant Rental 800% increase
- Total Revenue: \$289,000 increase 9.5% (projected this year \$3,299,386 budget \$3,027,500 we are \$270,000 over)

SEWER & WASTEWATER EXPENSES

- Salaries about 15% increase
- Fringe Benefits 7% increase (FICA taxes, pensions, insurances, health savings, workers comp, unemployment)
- Contractual – items separated into own accounts
- Utilities 6.7% increase
- Sludge Removal 122% increase
- Total Sewer Expenses: 10.6% increase

WATER EXPENSES

- Salaries \$2,000 under this year's budget
- Fringe Benefits to decrease 30%
- Salaries and Fringe Benefits ~65% of operating budget which is typical
- Meters/Hydrants/Fittings 4.2% increase
- Utilities 2% decrease
- System Maintenance (costs for lead service line replacement) budgeting for 20% increase
- Total Water Expenses: ~\$57,000 under proposed budget, 7.3% under this year's budget

Motion made by Swem, supported by Cole-Crocker, to recommend adoption of the Water & Sewer 2024-25 Fiscal Budget as presented to the City Commission. Voice vote carries unanimously.

- B. Water/Wastewater Reports & Updates-** *City Manager, Tim Lynch will update the Board with Water & Wastewater Reports as well as any updates regarding projects.*

Water Highlights

- Production - fairly consistent levels, we've reduced water loss
- Water Quality – we're well below residual regulatory limits

Sewer Highlights

- Plant Flow – we have some inflow and infiltration in our system
- Final Effluent – increased chemical application to clean up water we send to the river

IX. Public Comment - Non-Agenda Items Only

None.

X. Adjournment

Meeting adjourned at 8:09am.