

CHARTER TOWNSHIP OF WHITE LAKE
Approved Minutes of the Special Board of Trustees Meeting
January 26, 2021

Supervisor Kowall called the meeting to order at 5:34 p.m. The meeting was held via Zoom video conferencing. He then led the Pledge of Allegiance.

Clerk Noble called the roll:

Present: Rik Kowall, Supervisor – located in White Lake, MI
 Anthony L. Noble, Clerk – located in White Lake, MI
 Mike Roman, Treasurer – located in White Lake, MI
 Michael Powell, Trustee – located in White Lake, MI
 Andrea C. Voorheis, Trustee – located in White Lake, MI
 Liz Smith, Trustee – located in White Lake, MI
 Scott Ruggles, Trustee – located in White Lake, MI

Also Present: Aaron Potter, DPS
 Jennifer Edens, Recording Secretary

AGENDA

It was MOVED by Treasurer Roman, SUPPORTED by Trustee Voorheis to approve the Agenda. The motion PASSED by roll call vote (Powell/yes, Noble/yes, Voorheis/yes, Kowall/yes, Roman/yes, Smith/yes, Ruggles/yes).

PUBLIC COMMENT

No comments made.

WATER SYSTEM RATE STUDY

Supervisor Kowall indicated that Mr. Potter has put a ton of effort into the rate study. He noted that Tom Traciak is here tonight to answer questions and that he has a long-standing relationship with the Township. He reminded that these groups are hired to review the system and determine where and how said systems operate. He indicated that Mr. Potter's role is to look over the well-being and wherewithal of the water system. He opined that there is growth period approaching within the Township, an expansion of the system throughout the Township, and the fact that there are segments of the Township that are old and will require attention, as well as unknowns, the study has revealed a rate increase is necessary to sustain the growth of the system. It also showed that there is a need of hiring additional staff, which this funding would account for and potentially would allow for a superintendent to work alongside of Mr. Potter. He further reminded that the Township made a commitment to the Huron Valley School District as they made a multi-million-dollar commitment to the Township. This commitment will provide high quality water to the schools and along that transmission line (westerly loop).

Aaron Potter noted that before the Board tonight is a rate study that started with the Water Asset Management Plan. He indicated that the planning goes way back with iron filtration, which is a capital improvement project included in the study. The rate study includes the Aspen Meadows Wellhouse Iron Filtration System, Twin Lakes I Wellhouse replacement as well as several other capital improvement projects. He confirmed that the Township has agreed to work with the Huron Valley School District to bring Township water down to the Bogie Lake campus. He also noted that the school agreed to pay for the entire project plan even though half of the plan would not only benefit them, but

the rest of the township as well. There is a decade long need of improved water quality for the residents in this area, which started a water feasibility study in 2004 and another in 2010. Mr. Traciak was part of the 2010 study. He noted that the 2010 study went into 2013 and was ultimately accepted into the fee ordinance. The Village Acres filtration plant that was completed in 2017 was paid for with most of that funding. The plan has always been a feasibility study that would include iron filtration at Aspen Meadows II, including Twin Lakes Village and Hillview. The primary two plants that supply most of the Township's water are Village Acres and Aspen Meadows plants. The Village Acres plant generally supplies everything south of Elizabeth Lake Road and Aspen Meadows supplies the rest. He noted the history of talking about this:

- 2016 Wellhouse audit
- 2019 Water System Asset Management Plan and Reliability Study, which were incorporated into the CIP from 2020-2026

He further shared that in 2018 the Township was contacted by Huron Valley School District to do a DWRP Program to help them bring Township water to their campus. They have had a long history of bacterial contamination and water issues. The District, as a result deposited \$20,000 into an escrow in 2019, which led to the development project plan. In May of 2019, the Township passed Resolution #19-009, to adopt the project plan and implement the Alternative #4, which is now known as the current plan.

In 2020, Aspen Meadows iron filtration project and the Bogie Lake project were approved for engineering with two separate resolutions, each half paid for by the respective member of the project plan.

Currently the project plan is scheduled for funding in the fourth quarter of the DWRP, which includes the requirement that the rate study be finished and provided to Bendzinski who will develop the rate methodology for the plan.

Mr. Potter indicated that the number one water complaint in the Township is rusty water. He opined that good progress in solving that problem has been made in the Township for residents and businesses, but it is not solved for everybody and there is still a lot to do to keep track on the plan started in 2004.

Mr. Potter noted in comparison, that most families are on some kind of budget and they do not have the ability to generate new revenue to pay higher bills. People make a certain amount of money versus businesses that may be able to pass some of that cost on to their customer.

To show how these projected rates would be reflected on the average resident bill he broke it down based on utility billing for 2020. The average township user used 140,000 gallons for the year of 2020. With the current rates applied it is \$440 for the average users' water bill for the year. The proposed rates before the Board tonight, the annual users water rate increased to \$507.23, which is an increase of \$66.73 per year; \$16 per quarter; \$5.50 per month; \$1.38 per week; and \$0.20 per day.

He continued that there has been discussion regarding connecting to Detroit City Water. In comparison using the Commerce Township Study Rate for 2020, their rate with the same number of units of flow, and the same gallons is \$1,334 annually. White Lake's current average water customer pays approximately \$440 annually. That same customer if supplied with Commerce Township water would pay \$1,334 with a one-to-one rate. The proposed rates put that same average customer at \$507 annually. He noted that he can support these numbers with documentation if necessary and/or requested. He opined that White Lake's water is very affordable with some of the lowest rates in Oakland County.

He broke down the rate to minimum users at approximately \$1.98 per month, which he compared to the purchase of a cup of coffee. He believes these are very small increases in his opinion and that goes to the efficiency of the Township.

Tom Traciak shared that he has worked with approximately four-hundred communities, half of them being townships. He shared that he does a lot of work in Oakland County. He indicated that most of his work is with water and sewer, particularly with bond issues and rate studies. He has worked with White Lake Township for some time now.

The rate study took a look at the Township's historical audit information and budget information to look at the detail of the Township's expenses and see what is trending and what the cash balance looks like in the audit. An observation that comes from that is the Township's cash balance has been well maintained. Maintaining a higher cash balance allows the Township to address improvements by paying cash instead of issuing debt. He suggests that it gets very expensive for a township to continuously run to financial advisors like himself for bond issuance and even more so with interest.

The next step in the process of rate study is to predict the future operating expenses and future capital expenditures, which takes the study to a cash flow forecast. He shared his screen highlighting sections of the report provided to the Board.

He indicated there are three aspects of policy making on managing rates and cash flow:

- User rates
- Cash balance
- Capital spending

He furthered that these are the areas where there can be more change. Therefore, the study takes into account some future projects. He indicated that in 2024 the Township will take a dip in cash and investments because he assumed the cash payment for the Twin Lakes project.

Referring to the report, he indicated that this is always the position the Township wants to be in as a local government managing a water and sewer system. He furthered that the Township has the cash flexibility to avoid debt issuance, even after a major project and to maintain a healthy cash balance in the account.

With regards to the user rates, the scenario Mr. Traciak came up with is where the Township would have an increase to the minimum charge per quarter (\$7.92) and commodity charge (\$0.31) after that a 5% increase per year. He also indicated that the Township should be reviewing their rates every three to five years unless something major comes up unexpectedly.

He highlighted from the shared screen:

Typical homeowner's quarterly domestic bill (assumes 16 ccf quarter) in 2020 \$52.70, with the rate study \$62.17.

He finds a low range of a water bill to be anything under \$35 per month and that with the rate increase, the Township would still be at \$21 per month. He does not consider a water bill to be on the high side until it reaches over \$55 per month.

He opined that the Township is doing great with the cash balance being well maintained, being in a good position to handle capital improvements, the water rates are low even with the proposed increase, and the Township has very stable revenues and expenditures.

He clarified that this is a full rate study, and that Bobby Bendzinski is doing the DWRF loan bond issue. There is a specific report that will need to be filed with EGLE for that and Mr. Bendzinski can utilize portions of this report to aid in that filing.

Treasurer Roman asked on the forecast, if the new debt service for \$3.5 million is for iron filtration. He furthered asked if the Township had catastrophic coverage for the watermains.

Mr. Potter answered if he is speaking of the \$211,000 starting in 2022, then yes, it is for iron filtration. He also indicated that there is insurance, but he is unsure of the coverage amounts and would refer him to Dawn Bockleman for such information as she is the liaison with Municipal Risk Management Association (MRMA).

Supervisor Kowall indicated that general maintenance is not covered by any insurance policy.

Clerk Noble indicated that the underground fixed assets are right around \$65 million and to him this makes sense in keeping ahead of the game. Construction costs have increased since COVID nearly 25-30%.

Aaron Potter shared that this number came out of the 2019 Water Asset Management Plan, which assigned a replacement value to the components of the water system including wellhouses, hydrants, valves, and watermains.

Clerk Noble shared that he took tours from the very worst of what we are going to demolish all the way to the Aspen Meadows Wellhouse and got a very eye-opening education on the Township's system. He invites anyone that has the opportunity to take the tour and get some working knowledge of what Mr. Potter has done. He was amazed and wanted to bring to the Board's attention that one of the repairs that was paid by UNIFIF was \$100,000 repair. The repair was completed by the Township's own employees, saving the Township \$90,000.

Treasurer Roman indicated that he was thrown off with the \$65 million as the Water Department shows approximately \$8 million in assets subject to depreciation.

Supervisor Kowall does not believe that is the actual system itself. He believes the system is reviewed by MRMA as part of the Asset Management Plan and he believes the \$8 million is some of the structures, not necessarily all the pipe in the ground.

Treasurer Roman wanted Mr. Noble to know that he understands where he is getting that number from now.

Aaron Potter offered to share the link to the Water Assessment Management Plan which breaks down to linear foot of each size of watermain, numbers of valves, hydrants, literally every component in the water system.

He shared that there was an underdrain repair that was discovered towards the tail end of the construction of the Village Acres plant and it worked out to be something that Tonka had to repair under warranty. They hired a company out of Pennsylvania to repair it which cost Tonka Water Systems approximately \$100,000. A few years later, a need arose for another underdrain repair, out of warranty, and his staff was able to repair at a cost of approximately \$5,000 per filter. He stated that this is the type of capability you have when you hire good people, highly motivated people, and he can't talk enough about his staff as they seem to handle every task thrown at them. He shared that the friends and family plan was used as they literally had a bucket chain of capable teenagers and friends assisting.

Supervisor Kowall shared that the staff is being pushed to the limit and that it would be beneficial to the Township as a whole to add an additional staff member which is supported by the rate study.

Trustee Ruggles clarified with Mr. Traciak that the \$51 for the Township in 2020 is a quarterly charge and not monthly as that would put the Township in what Mr. Traciak considered to be high.

Supervisor Kowall indicated that Oscoda, Michigan's basic water bill is nearly \$40 per month and they are considered a rural community area. By their Board action, they are seeking a 13% rate increase out of necessity because of the age of the system. He opined that White Lake is being very careful at what they are doing. He shared that White Lake's rates compared to Hazel park are considerably cheaper.

Mr. Traciak just completed the Oscoda rate study. He shared that their increase was because they were trying to cut it and play it pretty close at best to not keeping up a cash balance. The problem occurred when they started to hit rough water on improvements and there was no place to turn.

Supervisor Kowall thanked Mr. Potter for the tasks he took on when inheriting this system. He shared of their water Wednesday meetings as that was education by immersion.

Trustee Powell stated that it appears to him that the Board is asking for an 18% increase between 2020 and 2021, which is substantial. His math on that is minimum charge per quarter based on the cash flow analysis is \$44 per quarter and is asking for a \$7.92 increase which is a 18% increase for 2021. Additionally, there would be a 5% increase per year thereafter through 2026 adding up to \$66.26 per quarter. He stated that the Township is in fact increasing quite a bit, but it doesn't downplay that the Township has a lower rate than surrounding communities. He would like to sit down with Mr. Potter and show him where he thinks there is a difference in his numbers comparatively.

He agrees that you can't compare communities, but based on the current rate that Commerce Township charges they are at \$81 per quarter and White Lake is a dollar less at \$80 per quarter, which is based on Mr. Traciak's numbers of 1,600 cubic feet per quarter, per household. He noted that Commerce Township as a base rate allows 2,000 gallons per quarter, which is more than White Lake allows for water use at a base rate. However, he likes that White Lake has a lower base rate, because whether or not you use it, you only pay for 1,600 cubic feet, not 2,000. He further brought to the Board's attention that the fee rate is for 1,100 cubic feet per quarter. He asked of Mr. Traciak what the study does in the rate that people are charged if the minimum cubic feet per quarter is lower.

Aaron Potter confirmed with Mr. Traciak that he still applied the Township's current ordinance fee rates of 1,100 cubic feet for the minimum and then excess usage of 500 cubic feet above that. To which Mr. Traciak confirmed that is correct.

Trustee Powell pointed out that in the analysis of actual water usage in 2019/2020, if the 19,000 cubic feet is divided, the number you end up with is 4,700 cubic feet per quarter. He shared that the current fee ordinance raises the annual rate of charges by 4% per year. He also pointed out that between the Township and the school district, that the Aspen Meadows Iron Removal Plant is part of the DWRP loan that was approved to be applied for and it is part of the watermain extension being proposed down Bogie Lake Road. He doesn't think the school would want the water if in fact the Township could not provide them with the Aspen Meadows pumphouse. He furthered that the two cannot be separated.

Aaron Potter agreed that the excess commodity charge does increase 4% annually. He also agreed that if the Township tried to send Aspen Meadows water down to Huron Valley Schools, it would be worse quality than what they currently have with their own contamination issues. He also declared that the two projects cannot be separated.

Supervisor Kowall reminded of students who visited the Township offices during Youth in Government Day and the conversations regarding the water on the school campus and how students indicated they don't drink the water. He recalled that in his first year as Supervisor, he approached the former superintendent who was not receptive. The current superintendent is and has been instrumental in the partnership with the Township to move forward. He

further reminded that once the watermain goes in, it will be the responsibility of the Township and will need to be maintained.

He declared that putting the Township in a position of fiscal responsibility will mimic how the Township will function moving forward so that it is in good shape when/if it has problems and will be able to handle the expansion and maintenance of the current facilities.

Trustee Ruggles indicated that the tone of the conversation is that without moving forward with the increases, the pending projects stop. He asked if there is no rate increase, what will stop or not move forward.

Supervisor Kowall cannot specifically state what projects won't happen, but he can state that it will jeopardize the iron filtration plant, which in turn puts the Township in a non-deliverable situation with the school. He furthered that removing the school from the equation, you still must realize that the iron filtration makes all the difference in the world to the infrastructures that the Township owns. He believes it is in the best interest to move forward with it and the school program.

Trustee Ruggles asked if without the rate increase would there be alternative funding for the iron filtration, or would it just not move forward.

Supervisor Kowall stated there would be serviceable debt of a couple \$100,00 per year. The Township would have to find a way to service that debt. Having the increases will help the Township absorb any differentiation the Township will have through this process. The Township is a growing community, and these are part of the growing pains. In an overall concept the costs are insignificant.

Aaron Potter indicated they are projecting approximately \$211,000 per year for twenty years to pay for the iron filtration project. He stated that it would likely be nixed if there is not a funding increase. There is not a grant that will pay for it and he is unaware of any alternate funding. He further indicated several projects that are going to need work and the figures cannot be absorbed into his current operating budget and there is not enough in the cash balance to fund the iron filtration project.

Treasurer Roman noted that the proposed rate increase over the next five years would bring in approximately \$1.5 million revenue.

Aaron Potter confirmed to Mr. Ruggles that the commodity charge increases 4% annually. The proposed rate study would change that to 5% annually. The minimum charge will also change to 5%. He continued that the 5% increase on the commodity charge is only 1% over what is reflected in the current fee ordinance. He joked that it is clear as mud.

Mr. Traciak indicated that it is not 5% on top of the 4%.

Trustee Voorheis is in favor of this as she recalls Village Acres when it was one black pipe and what a difference there is now. She noted that water is essential, and it needs to be kept up. She spoke with her sister who lives in Portage and a co-worker from Madison Heights and even with the increase in White Lake's the rate is still lower than theirs. She feels that the Township needs to move forward keeping a valued item clean and healthy. Treasurer Roman asked of Mr. Potter when the next billing cycle starts and when would it be sent out. To which Mr. Potter indicated that first quarter ends March 31st and bills are typically sent out within a week of that. Mr. Roman confirmed that the next billing cycle would go out in early July.

Trustee Powell is concerned that in this economic time there are residents who aren't working and cannot pay their bills, restaurants that cannot open and when they do open, the Township is basically saying welcome back, by the way your water bill went up 20%. He further asked Mr. Traciak what would happen if the rate study was passed tonight, but the implementation be delayed to the beginning of the third quarter.

Mr. Traciak indicated that in the management of the rate and cash balance, and going with the capital improvements as planned, it will not change the dial as changing policy. The cash balance would not significantly be affected by a delay. He would say from a cashflow standpoint, that the Township has that flexibility.

Mr. Powell asked of Mr. Potter that if a delayed implementation happened could he still plan on the improvements that this rate study anticipates.

Mr. Potter understands that if a delay occurred, it would just mean the Township would have to dip into its savings account.

Trustee Smith asked Mr. Traciak how far the increase can be pushed out.

Mr. Traciak indicated that he would have to run the scenario and have another meeting with the Board to determine how low they are willing to take down the cash balance. From looking at the numbers, and without the increase, it would not really change the scope of the cash flow. If the Board is asking for a breakpoint, he would need to run those numbers.

Trustee Smith thinks that would be an important piece of information for her to know. She reminded that the Township has residents who are not working, who cannot put food on their tables and to give them an increase on a necessity or basic essential, she has a problem with that. She also has a problem with restaurants who cannot open and restaurants that are not opened who have received bills. She believes that it is the Board's job as policy makers to be creative thinkers to help the residents out and she personally would like to know the breaking point instead of burdening the residents with an increase.

Clerk Noble asked if the Township will get behind on the interest if it doesn't strike now. He further asked if the situation would get worse if a delay occurs.

Treasurer Roman indicated that a DWRF loan has not been taken out yet for the iron filtration, so his answer would be no. He understands his colleagues concerns and he would be receptive to putting this off to the second quarter/July bill. His thought is that summer would be here, COVID numbers will be down, and that President Biden has made promises that this vaccine will get distributed.

Mr. Traciak pointed out that affordability is near and dear to his heart. He has been asked to get involved from a legislation point through the American Water Works Association. He further pointed out, to keep in perspective, that the increase will add between \$2.50 and \$3.00 to the typical homeowner.

Supervisor Kowal interjected that if restaurants are not functioning and not using water, then they are being billed for their minimum use. If they are functioning and using water, then that means they are turning money and back in business. It is based on use. He furthered that there is a lot of conversation to go back and forth, but he agrees that it's a cup of coffee. He believes that more people will complain about rusty water and water that is an issue as that is the number one complaint. He did share that with Village Acres up and running they don't get as many complaints from the southern end, but still a lot from the northern end.

Trustee Ruggles has been speaking to a variety of people regarding this and even though it doesn't seem that significant it all adds up at the end of the day. The commercial users are on a system and even if open they may not be doing a tremendous amount of business during this time. He referenced the GoFundMe for Dave & Amy's restaurant and feels that it is tough to watch that and then send them a rate increase. He doesn't disagree with Mr. Potter, and is all for the additions and iron filtration, but the timing couldn't be worse. He furthered that we may not think \$300 is a lot, but it could be an enormous amount for somebody else – it's all relative. He understands the study but has an issue with doing it now. He agrees with Treasurer Roman at looking at it at a later date. He declared that COVID is real and it has had a real effect on the Township, the residents, and the businesses. He compared that Mr. O'Neil is going around giving people tents and heaters in an effort to try and make a buck and then the next day we send them a rate increase.

Supervisor Kowall reminded that it is usage. If they are not doing anything and not using water, then it is minimum usage.

Trustee Powell indicated that restaurants may have a three-inch pipe and that their minimum rate is ten times what a household is, and they are not receiving any funds for it.

Supervisor Kowal thinks one would be hard-pressed to find a restaurant in this community that has a three-inch line. Nonetheless he thinks there is merit in deferring the increase to the second quarter. He does not want to jeopardize or delay the iron filtration project and that the state needs to know how the Township is going to pay for it.

He further indicated that procedurally the Board would be moving it to second reading and in second reading the Board has the ability to set an effectuation date. Then between now and the February meeting, the Board could gather more data.

Aaron Potter asked that if a delay is decided, he would ask that the Board make decision at the second reading whether or not the Township is going to move forward with the rate study and fee ordinance amendment and identify an exact date of when it will take effect. He reminded that there is schedule set by the state to receive funding under DWRP and if it is not the Township's intention to move forward with the project, he would like to let the school district know as soon as possible.

Supervisor Kowall would like to see this move to second reading.

Treasurer Roman noted an error on the first page of the fee ordinance and asked if it could be corrected at the second reading. The error is in minimum charge each year: 2022 \$54.92 should be \$54.52.

Trustee Ruggles pointed out that it still states Clerk Terry Lilley and contains old dates that should be updated.

Mr. Potter indicated any error in there would be corrected by the second reading.

FIRST READING, FEE ORDINANCE

It was MOVED by Supervisor Kowall, SUPPORTED by Treasurer Roman to move to second reading to be reviewed at the Regular Board Meeting. The motion PASSED by roll call vote (Kowall/yes, Ruggles/yes, Roman/yes, Voorheis/yes, Powell/yes, Noble/yes, Smith/no with comment *).

*Trustee Smith does not believe this is the appropriate time with COVID.

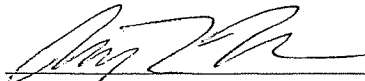
Supervisor Kowall thanked Mr. Potter and Mr. Traciak for their work and efforts. He invited the Board members to do a water Wednesday with Mr. Potter, as they will learn something and see why it is why the Township is doing some of the things it is doing.

ADJOURNMENT

It was **MOVED** by Supervisor Kowall, **SUPPORTED** by Clerk Noble to adjourn. The motion **PASSED** by roll call vote (Kowall/yes, Noble/yes, Roman/yes, Ruggles/yes, Smith/yes, Voorheis/yes, Powell/yes).

Meeting adjourned at 7:01 p.m.

I, Anthony L. Noble, the duly elected and qualified Clerk of the Charter Township of White Lake, County of Oakland, State of Michigan, hereby certify that the foregoing is a true copy of the January 26, 2021 special board meeting minutes.



Anthony L. Noble, Clerk
White Lake Township
Oakland County, Michigan