

Hillsdale Board of Public Utilities
Regular Meeting

November 21, 2017

The regular Hillsdale Board of Public Utilities meeting was called to order at the BPU Offices, 45 Monroe Street, Hillsdale, Michigan at 7:00 p.m. by Mr. Barry Hill, President of the Board.

Board Members Present: Mr. Barry Hill, President
Mr. Bob Batt, Vice-President
Mr. Eric Hoffman
Ms. Lois Howard
Mr. Chris Sumnar

Board Members Absent: None

Others present: Mike Barber, Director; Chris McArthur, Deputy Director; Bill Briggs, Water Distribution Superintendent/WWTP Supervisor; Chad Culbert, Electric Distribution Superintendent; Finance Director Bonnie Tew; David Mackie, City Manager; Stephen M. French, Secretary to the Board; Don Reid, Hillsdale Daily News; and Donna Hecht, Auditor.

MINUTES

Mr. Sumnar moved, supported by Mr. Batt, to approve the minutes of the October 10, 2017 regular meeting as presented. Motion carried unanimously by voice vote.

BILLS PAYABLE

Moved by Ms. Howard, supported by Mr. Sumnar to approve the above October bills in the amount of \$434,759.92. Motion carried unanimously by voice vote.

MSCPA STATEMENT

Moved by Ms. Howard, supported by Mr. Sumnar, to approve the September MSCPA bill usage in the amount of \$764,476.83. Motion carried unanimously by voice vote.

SEPTEMBER FINANCIAL REPORT

Ms. Tew presented the September 2017 financial reports and noted a revised budget would be presented to the board in January 2018 due to the large number of budgetary changes made during the software conversion project.

Ms. Howard requested additional information on the revenues received from the power pole attachments, as well as information on the line-item 582-175.000-963 "Write Off Bad Debt(s)."

Finance Director Tew reported the revenue received from the power pole agreements was either placed in "Other Revenue" or "Miscellaneous – Non-Operating" line items. Ms. Tew stated she would provide clarification on this issue at the next board meeting. Ms. Tew also provided information on the use of small claims for non-city residents and property liens for city residents, to recoup delinquent accounts for the BPU. Ms. Tew assured the board that these accounts are only dismissed after staff exhausts all means available to recoup past due accounts.

Moved by Mr. Sumnar, supported by Mr. Hoffman, to approve the September Financial Reports as presented. Motion carried unanimously by voice vote.

DIRECTOR'S REPORT

1. Director Barber reported the MSCPA had finalized the purchase of a new office building in Coldwater. Mr. Barber noted the sale of the Endicott property had been finalized and the sale proceeds were used to purchase the new office site in Coldwater.
2. Director Barber reported the change orders for the wastewater treatment plant project had been submitted for final approval from the State of Michigan. Mr. Barber invited the board to attend a meeting with city staff and the general contractor scheduled for Wednesday, November 29, 2017 at 12:00 p.m. at City Hall.

ACTION ITEMS

1. Fiscal Year 2017 Financial Audit

Ms. Donna Hecht of Condon, Hecht, Bisher, Wade & Co., P.C provided the audit for the financial statements of the Electric Fund, Water Fund, and Sewer Fund of the BPU for the year ended June 30, 2017.

Ms. Hecht reported the Electric Fund had an operating revenue of \$719,000, an increase of approximately 2% from the previous year, while the operating expenditures had decreased 1.8% during the same time period. Ms. Hecht noted the Power Cost Adjustment had decreased \$600,000, while the PILOT payment to the city had increased \$400,000 within the Electric Fund. Ms. Hecht also reviewed the non-operational highlights, including the purchases of capital from MSCPA and obsolete inventory from the city's Power Plant.

Ms. Hecht reported the Water Fund had an operating loss of \$37,000, as revenue increased by approximately 1% and expenses increased by 3%. Ms. Hecht noted the Water Fund anticipated a positive operating budget in FY2018 after water rate increases had been implemented by City Council in recent months.

Ms. Hecht reported the Sewer Fund had operating income of \$573,000, an increase of 42% from FY2017, due to an increase in usage rates in 2016-2017. Ms. Hecht noted the Sewer Fund had a reduction in operating expenses in FY2017 of nearly 11%, although the utility would have \$3.0 million in bonded debt payments required in FY2018.

Ms. Hecht then reviewed the Schedule of Findings and Responses and noted the audit required many material adjustments to the financial statements. Ms. Hecht reported the audit did indicate “the business offices had undergone a variety of changes in staffing, as well as a complete conversion of all of the accounting systems....Staffing and workloads are being evaluated and new internal controls and procedures are being implemented to correct these issues moving forward.”

City Manager Mackie stated city staff was reviewing a request to approve a new staff position which would assist the Finance Director with both BPU and city responsibilities. City Manager Mackie stated this issue would be finalized after January 1, 2018.

Moved by Mr. Batt, supported by Ms. Howard, to accept the FY2017 audit as presented. Motion carried unanimously by voice vote.

DEPARTMENT PROJECT PROGRESS REPORTS

Deputy Director McArthur reported the upgrade of Engine 5 had been completed and the work to Engine 6 would be performed after January 1, 2018.

Supervisor Briggs reported the water tower project was nearly completed and the water tower was scheduled to be filled near the end of November. Mr. Briggs stated the generators had been installed and were in service at the wastewater treatment plant. Mr. Briggs noted the utility had one sanitary sewer overflow event in the swampy area south of Marion, east of Logan and west of Superior.

Supervisor Culbert reported the underground project on Marcus Drive continued, while an un-needed service was removed at 211 Industrial Drive. Mr. Culbert noted crews had begun installing the Christmas decorations and the mobile generator had been sent for repairs. Mr. Culbert stated the electrical outages that occurred during the month were the result of various storms and high wind events.

BOARD MEMBER ROUNDTABLE

Mr. Batts reported he attended the retirement reception for outgoing MSCPA Director Glen White.

Mr. Hoffman requested clarification on the many abbreviations that were included in the Fleis & VanderBrink progress meeting report.

Ms. Howard requested information on the utility’s investments in the power purchase agreements and where those totals were included in the annual audit report.

Mr. Hill commended the staff for the very informative newsletter that had been included in the most recent BPU billing statements.

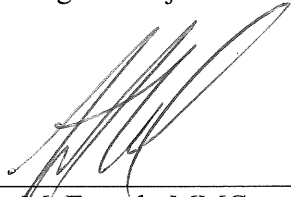
City Manager Mackie noted a meeting of the Personnel Committee would be necessary in the near future to discuss the appointment of the BPU Director following Mr. Barber’s retirement, as well as the new position that would be assisting the Finance Director.

PUBLIC COMMENT

No public comments were offered

ADJOURNMENT

The meeting was adjourned at 8:00 p.m.



Stephen M. French, MMC
Secretary to the Board

MINUTES APPROVED: December 12, 2017