

# Gull Lake Sewer & Water Authority

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## MINUTES OF THE MARCH 22, 2012 BUDGET WORKSHOP BOARD MEETING

Special Authority Board Meeting

10:00 A.M.

Purpose: Utility Budget workshop

**CALL TO ORDER/ ROLL CALL:** Chairman Bither called the meeting to order at 10:00 A.M. Commissioners present were Jeff Bither, Jackie Light, Jimmy Stoneburner and Wes Kahler. None absent. Also present were Director Rich Pierson, Administrative Assistant Anne Richmond, Maintenance Supervisor Barry Bowman, and Maintenance Assistant Jerred Dill.

### **BUDGET WORKSHOP:**

Pierson opened with a statement of objectives, that we needed to establish a budget prior to the end of the month, and that fiscal year ending 3/31/2013 is anticipated to be the 3<sup>rd</sup> year of flat revenue while we are experiencing increasing expenses for all major cost centers; and that a rate increase or series of rate increases is necessary. Our prior rate increases (2 over 20 years) were 5% and 8% respectively in 2005 and 2008, however, depending on the level of services we wish to continue to provide, a series of increases appears to be necessary. At the same time, the Governor's PA 152 (Senate Bill #7) significantly limits the health care benefit the Authority is allowed to pay on behalf of the employee, and the issue of transitioning into the new Health Care limitations needs to be discussed. The Authority cannot 'opt-out' of the Health Care Bill limitations.

Pierson provided an overview of the issues of level of service, who we are, what we do, the level of service we have provided historically and the need to move forward with continuous improved services -- and the impact upon our budget for the next fiscal year and beyond. We can mitigate some of FYE 2013's expenses by deferring needed repairs and replacements, but cannot do that into 2014 and beyond.

Pierson reviewed the FYE 2013 draft budget packet and indicated GLSWA is currently in good financial position, with virtually no debt plus sufficient reserves to fund all previously identified replacement projects; however, as we inspected 10% of our system manholes in 2010 we identified an additional \$60,000 per year of repairs that should be accomplished, further adding to our long-term expense increase. Last year (fiscal year just ending), we performed \$20,000 of additional repairs of this type. He noted that we currently provide all services related to the public sewer system with 4 "full-time" employees plus 2 part-time employees, a relatively 'lean' operation, and we contract out specialty repairs and replacement. To initiate the additional identified

or identifiable needed repairs will require additional manpower and equipment as contracting out some repair/replacement services is more costly than doing them 'in-house'.

Pierson indicated we need to add the Replacement Component Fee within the Operations + Maintenance + Replacement Fee or \$21.67 per month per unit, where historically such a Replacement Fee hadn't been necessary. Now it is time to implement a rate increase or series of rate increases to methodically repair/replace our infrastructure, and have the current generation that is connected to the public sewer pay for these improvements and the continued service levels we have established.

Richmond and Pierson reviewed the budget and revenue forecasts into 2018, and reviewed several rate increase options.

Pierson then reviewed the FYE 2013 budget in more detail, and presented two transition plans for implementing PA 152. The one transition plan had the Authority funding each employee's health savings account with annual review and request to fund any deficit balance, plus the consideration of awarding pay raises that may or may not be commensurate with the employee's payment of the required portion of the premium over the PA 152 cap. The alternative plan that was recommended by Pierson was to offer the employees (those covered under the health care plan) one-time HSA funding (booked to FYE 2012) plus a one-time pay-increase -- rather than have an annual review of the HSA balances or an annual review of needed pay increases for premium coverage.

After discussion of the \$8,000+/- Health Care savings for the next fiscal year (ending 3/31/2013) and the following year of \$20,000+/- (and then declining as premium increased), Stoneburner made the motion approve the recommended High-Deductible - HSA plan as presented, having Director Pierson sign necessary plan documents on behalf of the Authority, and prepare the FYE 2013 budget according to the plan. Motion was seconded by Light. **Motion carried; all ayes.** *Pierson to implement the plan and prepare the budget for final review and approval on March 27<sup>th</sup>.* The rate increase question will be reviewed over the next 2-3 months and scheduled for implementation.

## CLOSING COMMENTS

ADJOURN. NEXT MEETING TUESDAY MARCH 27, 2012 at 2:00 p.m. Chairman Bither adjourned the meeting at 12:00 p.m.

Submitted for approval

  
Jacqueline Light – Secretary