

## **Revised Draft Copy (Subject to Board Approval) – South-West Lake Maxinkuckee Conservancy District**

Meeting Date: Saturday, November 8, 2008

Members Present: Del Demaree, Kathryn Densborn, Dick Dugger, George Duncan, Chuck Norman, and Ted Schenberg.

Members Absent: Dan Yates.

Presenter: Mark Sullivan, Commonwealth Engineers, Inc.

The meeting was called to order by Del Demaree at 9:09 AM at the Culver-Union Township Public Library.

### **MINUTES FROM THE OCTOBER 11, 2008 MEETING**

**Motion:** George Duncan moved the minutes from the October 11, 2008 meeting be approved as distributed. Dick Dugger seconded. Motion passed unanimously.

### **QUESTIONS**

Before Mark Sullivan began his presentation, several questions were asked by district members:

1. What happens if the district is not able to obtain affordable funding for the project?  
*Mark indicated that he has only seen these projects fail when the monthly user fee gets too high for the public to tolerate. He has done a preliminary check with the USDA, and they have indicated they see no problem with obtaining financing at this time. The personal income level of the homeowners in the district is too high to qualify for the USDA grant program, so we will have to finance the project.. If the district incurs engineering and legal costs before the financing for the project is in place, the district can obtain a loan using its statutory authority to levy a tax as collateral. Mark indicated the district will also need a bond anticipation note for the construction of the system which can be obtained using the commitment letter from the USDA for the financing of the project.*
2. Mark was asked to comment on the Dunn & Bradstreet rating of his company as slow paying (60 days).  
*Mark cited a peer review showing Commonwealth Engineers, Inc. as a solid company. Commonwealth has a \$1,000,000.00 line of credit with a zero balance. In light of the current credit crunch, they met with their bankers last week to confirm the availability of their line of credit.*
3. When do we need the rate consultant on board?  
*Mark advised that we have the rate consultant in place when we make the USDA application for financing in the spring of 2009. He suggested we get started as soon as possible. The rate consultant will have to analyze a good deal of data which we will need in weighing our options with the Town of Culver. Mark said a project typically will start*

*with the engineers for design, then move to the rate consultants for assistance with the usage and financing of the project and then move back to the engineers for construction.*

**PRESENTATION: MARK SULLIVAN, COMMONWEALTH ENGINEERS, INC.**

Mark stated that a grinder pump system which would hook into the Town of Culver is far and away the best approach. If hooking into the Town of Culver system is not an option, then we are looking at building our own treatment system. He said it is always preferable to hook into an existing system, otherwise you must deal with operating your own sewer treatment plant and incur the costs associated with running that operation.

Mark indicated that the Town of Culver needs to expand their plant and he believes they are interested in the SLMCD connecting, but it would come down to dollars and cents for both parties. He estimates that we will need a capacity of approximately 55,000 gallons per day. Using the Commonwealth chart for building a treatment plant, he estimates it would cost about \$18.00 per gallon if we built our own treatment system. If we tie into the Town of Culver, it would be less - more in the \$8 to \$10 per gallon range. Mark believes that is the negotiation range with the Town of Culver, somewhere between \$8 and \$18. Mark said we are on a parallel schedule with the Town of Culver in their analysis of expanding the town system. Their final report is expected to be completed in early December, and we should have our report from Mark at or near the same time. He recommends we begin our negotiation with the Town of Culver in December. Our rate consultant will help us, as they will be able to provide the data necessary for negotiations with the town. A discussion ensued about different terms/options to consider in the negotiation process, as well as what other lake areas have negotiated. We will need to look at how the rate ordinance was developed for the Academy, as they had to re-negotiate with the town about 3 years ago.

Mark has begun a preliminary design. Eventually, his company will meet with every homeowner to determine the location of the grinder pump. If homeowners share a grinder pump, it reduces the cost. This is what was done at Pretty Lake. However, Mark pointed out it is the operation and maintenance costs that drive the rate, not the construction costs. The big advantage to a grinder pump system is directional drilling. You don't have to dig trenches that disturb homeowners' property. He took the estimated cost of the Pretty Lake project and added 15% for inflation.

Sewer bills consist of the debt service (base charge) plus operation and maintenance. Since we are on wells and can't measure water usage, we will likely have to set a flat usage rate. The rate consultants will help with this. Mark's discussed several preliminary calculation options based on the type of financing of the project. He will go back and audit the Pretty Lake project as well as other lake projects to get a better reading on flow, since lake projects can be tricky due to seasonal population flux. Next month he will give us a draft of his final report. We discussed what needs to be done in the next few months and what costs will be incurred. Mark indicated his planning fee of \$12,800 and the environmental study of \$7,500 are costs we will need to take care of initially, plus any legal fees.

**Action Item:** Mark was asked to develop a timeline for the entire project as part of his final report and present it at our next meeting.

**Motion:** George Duncan moved that we go forward with the environmental study in order to save time and fold it into the Commonwealth planning study, as it is required as part of our application process with the USDA. Ted Schenberg seconded. **Motion passed, unanimously.**

**RATE CONSULTANT**

**ACTION ITEM:** Chuck wants to send out the QBS for the rate consultant next week, so get any changes to him ASAP.

**LEGAL REPRESENTATION**

**ACTION ITEM:** Del will contact Ron's office to obtain the legal fee information and to make arrangements to collect our files

**Motion:** Ted Schenberg moved that Chuck Norman contact attorneys Alan Hux from Taft and David McGimsey from Bingham McHale to obtain their hourly rates and to see if they will commit to a "not to exceed" number if they were hired to do the legal work on this sewer project going forward. Chuck will contact all members for input so a decision can be made on which attorney to hire. George Duncan seconded. **Motion passed, 5 ayes, Kathryn Densborn abstained.**

**ADJOURNMENT**

**Motion:** George Duncan move to adjourn the meeting, Chuck seconded. **Motion passed, unanimously.** The meeting was adjourned at 11:28 AM.

**Del Demaree will set our next meeting and notify members by email of the date and time since Mark is not available on December 13, 2008. He will take care of the meeting arrangements including meeting notices.**

Respectfully submitted,

Kathryn A. Densborn for Richard P. Dugger, Secretary