

Higgins Lake Utility Authority  
Public Hearing Minutes  
June 15, 2019

The meeting was called to order by Chairperson Cook at 10:02 a.m.

The Pledge of Allegiance was recited.

Roll call: Present: Cook, English, Van Nuck, Earley and Keipert. Absent: None

Approval of the Agenda: Motion by Earley, second by English, **CARRIED** to approve the agenda. Yeas: All  
Nays: None

Motion by Van Nuck, second by English, **CARRIED** to leave the Special Meeting and move into the Public  
Hearing. Yeas: All Nays: None

Although no decisions were made, the board received almost an hour of public comment and board discussion  
on the details and options to better funding the Equipment Replacement & Reserve account. several ideas were  
detailed and the board agreed to continue to review the numbers and a plan would be agreed upon soon.

Motion by Earley, second by Keipert, **CARRIED** to close the Public Hearing and move back into the Special  
Meeting. Yeas: All Nays: None

Public Comment:

Meeting adjourned 1:55 pm

Respectfully submitted

Paul Tatro  
Business Manager

Doug Keipert  
Secretary

## **Higgins Lake Utilities Authority (HLUA) Equipment Replacement & Repair Funding**

### Overview:

After 10 years of operation, the HLUA O&M Fee of \$105.00 is no longer able to support saving for Future Equipment Replacement costs. The plan is to keep the O&M Fee at \$105.00 per quarter per user and add an additional fee for ER&R. Going forward the quarterly invoices will show a charge for O&M Fee \$105.00 and a charge for ER&R Fee \$###.##. The ER&R Fee will only be used for Equipment Replacement and Repair costs. ER&R Funding will be reviewed each year at budget time to determine if changes are needed.

Currently, the ER&R Account Balance is \$158,290.90 (\$159,000.00 used in calculations), May 2019 HLUA Treasurer's Report ER&R. The HLUA is completing its 10<sup>th</sup> year of operations. The Equipment is about 11 years old. The ER&R Account will also fund Equipment Repair Costs going forward, which has not been included in these calculations. Current Equipment Repair Costs are budgeted at \$7,200.00 per year. Equipment cost increases are not accounted for.

### Ken Schaut – Operations Services, Inc:

August 13, 2018 – Completed Higgins Lake Utilities Authority Wastewater Collection & Treatment System Asset Review.

May 25, 2019 – Completed Eone and WWTP Lift Station Asset Replacement Cost Recommendation.

**Recommendation is that we should collect \$51.05 per quarter per user from day one for future Equipment Replacement. Given the substantial amount of percentage increase, the increase should be spread over a few years.**

### Steve Earley – Higgins Lake Utilities Authority:

This is a suggested 20 year proposal that would insure that all grinder pump and circuit board repairs and replacement costs can be met between now and 2028. Please keep in mind that the grinder pumps were installed 11 years ago and are already past their 10 year Manufacturers project life cycle.

Simplex Board replacement cost is  $\$390.00 \times 236 = \$92,040.00$ .

Duplex Board replacement cost is  $\$941.00 \times 76 = \$71,516.00$ .

Both Circuit Boards have a manufacturer's recommended life span of 20 years.

Grinder Pump replacement cost is  $\$2,670.00 \times 388 = \$1,035,960.00$ .

Grinder Pumps have a manufacturer's recommended life span of 10 years.

Total cost to replace all Circuit Boards and Grinder pumps is \$1,199,516.00.

Assuming both the Circuit Boards and Grinder Pumps will last 20 years and they are 11 years old, then there is 9 years left before the end of their useful life.

## **Higgins Lake Utilities Authority (HLUA) Equipment Replacement & Repair Funding**

Total replacement cost \$1,199,516.00 - current ER&R Balance \$159,000.00 = \$1,040,516.00.  $\$1,040,516.00 / 9 \text{ years} / 405 \text{ users} / 4 \text{ quarters} = \$71.37$ .

Ten years ago the Quarterly Payments should have been set at about \$150.00 per user per quarter. ( $\$45.00 \times 4 \times 405 \times 10 = \$729,000.00$ )

Please keep in mind that these numbers only reflect a projected ER&R for circuit boards and grinder pumps only. They do not include any other equipment and technology that is needed to run this system. The above numbers have been calculated anticipating our worst case scenario between now and 2028. Please keep in mind that we currently have only \$159,000.00 in our ER&R account.

**Recommendation is that we should collect \$71.37 per quarter per user (\$116,640.00 per year) for the next 9 years.**

Brian Cook – Higgins Lake Utilities Authority:

April 25, 2019 – Completed Higgins Lake Utilities Authority Equipment Replacement Costs spreadsheet, using the Higgins Lake Utilities Authority Wastewater Collection & Treatment System Asset Review. Spreadsheet shows we should collect \$48.23 per quarter per user from day one for future Equipment Replacement.

Currently, we are at the 10 year mark with \$159,000.00 in the ER&R Account.

Assumption is we will replace 50% of all equipment by the 20 year mark at a cost of \$714,878.00, and replace all equipment by the 25 year mark at a cost of \$1,429,756.00. This gives an average life expectancy of 20 years for all equipment.

Total replacement cost \$1,429,756.00 - current ER&R Balance \$159,000.00 = \$1,270,756.00.  $\$1,270,756.00 / 15 \text{ years} / 405 \text{ users} / 4 \text{ quarters} = \$52.29$ .

$\$1,270,756.00 / 10 \text{ years} / 405 \text{ users} / 4 \text{ quarters} = \$78.44$ .

**Recommendation is that we should collect \$50.00 per quarter per user (\$81,000.00 per year) for the next 10 years, and we should collect \$60.00 per quarter per user (\$97,200.00 per year) after that.**

At the 20 year mark, we will have collected \$969,000.00 for ER&R.

At the 25 year mark, we will have collected \$1,455,000.00 for ER&R.

ER&R Account balance at 20 years is  $\$969,000.00 - \$714,878.00 = \$254,122.00$ .

ER&R Account balance at 25 years is  $\$1,455,000.00 - \$1,429,756.00 = \$25,244.00$ .

## HLUA FUNDING INTO THE FUTURE

The quarterly fee of \$105 was established at the beginning of the sewer project and has not been increased in 11 years.

The O&M (Operation and Maintenance) account which is the account the quarterly fees go directly into has a balance of \$100,000 +/- . This balance over the past several years has decreased as costs have increased. To reverse this trend and increase the ER&R fund as the system ages and cost are expected to increase it is the opinion of the utility authority that an increase in quarterly fees is necessary to ensure the financial security of the system.

Each year \$14,700 from the quarterly fees has been placed in the ER&R (Equipment Repair and Replacement) account. The ER&R account currently has \$158,000 +/- balance.

The quarterly increases discussed by the board range from a low of \$25 to a high of \$80. The proposed increase is designated to go only to ER&R. I would also like to institute an annual 1 to 3 percent increase to quarterly fees to maintain the O&M fund.

Chart 1 shows the amount an increase will add to the ER&R account in years 1, 2, 3, 4, 5, & 10.

Chart 2 is the same as chart one except the current \$158,000 ER&R balance is added in.

Chart 3 is the same as chart 2 but it includes the revenue that would be provided if the North Higgins Lake State Park was added to the system at the proposed buy in and O&M fees that they offered to join the system in 2017.

If the park had joined the system in 2018 the current ER&R balance could be approximately \$200,000 higher than it is today which would be a balance of \$358,000.

This is the argument that I make that expansion of the system is the best opportunity to the residents of Camp Curnalia to save money and to have financial security for the system in the future.

As you can see in chart 2 a \$25 increase will amount to an ER&R balance before expenses of \$563,000 @ 10 years.

Chart 3 shows that adding the State Park with a \$25 increase will allow an ER&R balance before expenses of \$845,000 @ 10 years. To reach this same amount without expanding the system would require a current increase of \$42.40+/-

Respectfully Submitted

Doug Keipert

Higgins Lake Utility Authority

Secretary.

CHART 1							
QUARTERLY INCREASE	MULTIPLIED BY 405 CABINS	ADDED TO ER&R FUND		@3 YEARS	@4 YEARS	@5 YEARS	@10 YEARS
		@1YEAR	@ 2 YEARS				
\$25	405	\$40,500	\$81,000	\$121,500	\$162,000	\$202,500	\$405,000
\$35	405	\$56,700	\$113,400	\$170,100	\$226,800	\$283,500	\$567,000
\$40	405	\$64,800	\$129,600	\$194,400	\$259,200	\$324,000	\$648,000
\$45	405	\$72,900	\$145,800	\$218,700	\$291,600	\$364,500	\$729,000
\$50	405	\$81,000	\$162,000	\$243,000	\$324,000	\$405,000	\$810,000
\$55	405	\$89,100	\$178,200	\$267,300	\$356,400	\$445,500	\$891,000
\$60	405	\$97,200	\$194,400	\$291,600	\$388,800	\$486,000	\$972,000
\$65	405	\$105,300	\$210,600	\$315,900	\$421,200	\$526,500	\$1,053,000
\$70	405	\$113,400	\$226,800	\$340,200	\$453,600	\$567,000	\$1,134,000
\$75	405	\$121,500	\$243,000	\$364,500	\$486,000	\$607,500	\$1,215,000
\$80	405	\$129,600	\$259,200	\$388,800	\$518,400	\$648,000	\$1,296,000

CHART 2							
ER&R BALANCE W/ INCREASE AND CURRENT BALANCE OF \$158,000, WITHOUT EXPENSES							
QUARTERLY INCREASE	MULTIPLIED BY 405 CABINS	BALANCE OF ER&R FUND		@3 YEARS	@4 YEARS	@5 YEARS	@10 YEARS
		@1YEAR	@ 2 YEARS				
\$25	405	\$198,500	\$239,000	\$279,500	\$320,000	\$360,500	\$563,000
\$35	405	\$214,700	\$271,400	\$328,100	\$384,800	\$441,500	\$725,000
\$40	405	\$222,800	\$287,600	\$352,400	\$417,200	\$482,000	\$806,000
\$45	405	\$230,900	\$303,800	\$376,700	\$449,600	\$522,500	\$887,000
\$50	405	\$239,000	\$320,000	\$401,000	\$482,000	\$563,000	\$968,000
\$55	405	\$247,100	\$336,200	\$425,300	\$514,400	\$603,500	\$1,049,000
\$60	405	\$255,200	\$352,400	\$449,600	\$546,800	\$644,000	\$1,130,000
\$65	405	\$263,300	\$368,600	\$473,900	\$579,200	\$684,500	\$1,211,000
\$70	405	\$271,400	\$384,800	\$498,200	\$611,600	\$725,000	\$1,292,000
\$75	405	\$279,500	\$401,000	\$522,500	\$644,000	\$765,500	\$1,373,000
\$80	405	\$287,600	\$417,200	\$546,800	\$676,400	\$806,000	\$1,454,000

CHART 3							
ER&R BALANCE W/ INCREASE AND CURRENT BALANCE OF \$158,000 AND STATE PARK BUY IN OF \$156,000 AND \$1050 , WITHOUT EXPENSES							
QUARTERLY INCREASE	MULTIPLIED BY 405 CABINS	BALANCE OF ER&R FUND		@3 YEARS	@4 YEARS	@5 YEARS	@10 YEARS
		@1YEAR	@ 2 YEARS				
\$25	405	\$367,100	\$420,200	\$473,300	\$526,400	\$579,500	\$845,000
\$35	405	\$383,300	\$452,600	\$521,900	\$591,200	\$660,500	\$1,007,000
\$40	405	\$391,400	\$468,800	\$546,200	\$623,600	\$701,000	\$1,088,000
\$45	405	\$399,500	\$485,000	\$570,500	\$656,000	\$741,500	\$1,169,000
\$50	405	\$407,600	\$501,200	\$594,800	\$688,400	\$782,000	\$1,250,000
\$55	405	\$415,700	\$517,400	\$619,100	\$720,800	\$822,500	\$1,331,000
\$60	405	\$423,800	\$533,600	\$643,400	\$753,200	\$863,000	\$1,412,000
\$65	405	\$431,900	\$549,800	\$667,700	\$785,600	\$903,500	\$1,493,000
\$70	405	\$440,000	\$566,000	\$692,000	\$818,000	\$944,000	\$1,574,000
\$75	405	\$448,100	\$582,200	\$716,300	\$850,400	\$984,500	\$1,655,000
\$80	405	\$456,200	\$598,400	\$740,600	\$882,800	\$1,025,000	\$1,736,000