

IMPORTANT INFORMATION YOU SHOULD KNOW ABOUT THE LAKE MITCHELL SEWER AUTHORITY

February 8, 2020

As many Lake Mitchell Property Owners know, the Lake Mitchell Sewer Authority (LMSA) just held a Public Hearing to explain their intent to apply to the USDA for a \$9.5 million 40 year loan. After that meeting; our board, the Lake Mitchell Property Owners Inc. had many more questions than answers so we asked to be put on the agenda in January.

We sent them a list of additional questions in advance. Our full board met with their board and we had a good question and answer session but we came away from that meeting with even more questions. The paper trail that explains how past rate increases were determined is difficult to get. Maintenance, repair, capital improvement and engineering drawings that describe what has been done, what needs to be done, and actual cost will only be provided if requested through the Freedom of Information Act (FOIA). The same is true for access to actual competitive bid contracts and information on the hundreds of thousands of dollars spent with the engineering company called Wade Trim, a large national company with corporate headquarters in Detroit.

It is difficult to understand why all day to day operations and all projects have been outsourced to the same company, Wade Trim for years and still continues. Essentially the same management and the same Wade Trim people. **All LAKE MITCHELL SEWER employees work for Wade Trim and do all the costing and day to day invoicing.** When our board met with them their board did very little talking. Practically all the discussion and information came from Sheila Hill, Operations Manager employed by Wade Trim. Practically every answer started by asserting the system was 40 years old and needed to be completely replaced. Not difficult to understand if you are selling for Wade Trim. We fully agree that repairs and maintenance need to be done to the old system, but according to DPW records many pumps and parts were already replace in recent years.

What we do know is that both the chairman of the LMSA Board and operations manager that continually tells us there have been no improvements to the system for 40 years, have been employed and worked on the system for nearly 20 years dating back to when the Department of Public Works was responsible for the sewer system, both in management positions. We also know that the loan was applied for by Wade Trim for \$9.5 million at 3% interest for 40 years without detailed drawings to support the request. That is one of the difficulties trying to justify the expenditure. The same ones that tell us what we need are the same ones that supply all invoicing, project management of day to day operations and maintain the system. They stand to make a substantial amount on this project and are pushing to move forward without detailed drawings to quantify the true need and any offsetting cost reduction. The difficulty in getting information is that much of it is not readily available. We are doing our best to use the Freedom of Information Act, past agendas and minutes to try to construct what has transpired since this Board started in 2015. All of which takes time and extends the process.

The Lake Mitchell Sewer Authority is incorporated pursuant to Act 233 of 1955 with Articles of Incorporation approved by the township boards of the three townships where the sewer system is located. The Articles of Incorporation provides for among other items the size, makeup, and term of the board members of the LMSA. The Articles of Incorporation as approved in 2015 states "The Authority shall be directed and governed by a 5 person Board of Directors, herein referred to as the "Board." Cherry Grove Township shall appoint its

Supervisor and one other member to the Board. Selma Township shall appoint its Supervisor and one other member to the Board. Clam Lake Township shall appoint its Supervisor to the Board. Supervisor members of the Board may delegate in writing their membership on the Board to a named person for a specific length of time. If not delegated, the term of a Supervisor shall be for as long as that person is Supervisor of that Township. Other appointees shall be appointed for three-year terms starting on the date of appointment.

Cherry Grove supervisor delegated his position to Gary Pullen to serve until November 30, 2016 and the Township Board appointed Bob Hilty, who worked for the now defunct Department of Public Works (DPW), on April 8, 2015. Selma Township's Supervisor currently serves on the LMSA. Selma Township Board appointed Kerry Keith on April 12, 2016 to serve on the Board. The Supervisor of Clam Lake Township also serves on the Board. **On two**

separate occasions we have questioned the legitimacy of the current board. All but two members of the Board terms expired some time ago. We have challenged all contracts and actions entered into by this board without a quorum of legitimate board members.

We have also stated our desire to have majority representation on this board by Lake Mitchell property owners. To date there is only one property owner through a condo association on this board. Obviously other than this one individual none of the other individuals are financially impacted by the decisions they make while their decisions affect not only our cost of ownership of our property but also the value of the property itself.

The transfer of the sewer system from the DPW to LMSA fee approval from the township boards where they had more restrictions to the LMSA Board where they have **total control over everything, no questions asked. We believe the current Board members are more about power and control than to fairly represent lake property owners.**

The Board hired accounting, engineering and bond representatives to research how to get the \$9.5 million dollars so no lake residents would have a way to protest the expenditures. This group recommended the board use rate increases instead of assessments. Per an answer provided by the LMSA Board to one of our questions, "property owners have a right to protest the special assessment and appeal the amount of the assessment at the Michigan Tax Tribunal."

In addition, after being asked what needed to be done to allow additional property owners to be on the Board, they scheduled a special meeting at noon on Tuesday February 4th with minimal notice, with their lawyer present to change the ByLaws and Articles of Incorporation. While they said in the public meeting in December they were changing the ByLaws so lake property owners could sit on the board and Mike Boyd went as far as to say if someone was interested they could have his seat, the opposite is true. With the lawyer's recommendation they unanimously approved a recommended change to the Articles of Incorporations so that only two properties owners can sit on the board. The articles are being rushed through as we speak so that when the township boards meet next week they can be approved.

We have a long way to go to know if there is truly a need for \$9.5 million dollars. Right now their board doesn't know for sure. The engineers stated at the public meeting that they thought it might only be \$7 million. Why then would you apply for \$9.5 million? **"We will have the highest sewer rates in the state if this is not challenged."** **In addition to the \$40.20 per month increase that we have already had, which was to repair and replace the sewer system, the Board has indicated that this project would be funded through another \$35.00 per month increase.** How is it we are being asked to expect this additional increase for a whole new system? There are many issues to get to the bottom of and we are continuing to pursue answers and will report our findings to you. We believe we should have a board that fully represents lake property owners and is willing to allow review of the whole process, not

just get as much money as possible and figure it out later. Our concern and opinion is, if the government approves it they will spend it, even if it is not in the best interest of the property owners.

In addition, there is approximately \$720,000 dollars made up of connection fees and interest that has been sitting on the books in Cherry Grove Township for several years. The township asked for a lawyer review and the recommendation was to transfer the money to the LMSA to be used for all the townships. Selma Township refunded their like funds several years ago. This money belongs to the users of the Cherry Grove system and we want an equitable transfer of that money. More on that later.

For now we would request that you email your respective township board and tell them to vote no on changing the Articles of Incorporation. We believe that the Lake Mitchell Sewer Board should consist of lake property owners. We have many professional people that live on this lake. Given the chance, we believe the property owners should be able to make the decisions with eyes wide open and fairly representing the users of the system. Enough of the hastily called special meetings in the middle of the day with lawyers so they can maintain control. Also for those who can make the Township Board meeting, your attendance would be appreciated.

Emails for the Township Boards are as follows:

Cherry Grove Township - : supervisor@cherrygrovetwp.org

Clam Lake Township - Supervisor@clamlaketownship.org

Selma Township - supervisor@selmatownship-mi.org

Township Board Meeting Dates

Cherry Grove Township - Wednesday February 12 at 5:30 PM

Clam Lake Township - Monday February 10 at 6:00 PM

Selma Township - Tuesday February 11 at 7:00 PM

With Highest Regards,

LMPOI Board Members