

Lake Mitchell Property Owners
PLEASE READ – URGENT

November 22, 2021

Dear Lake Mitchell Sewer Authority Customer

As you well know, our sewer services rates have been rising dramatically over the past several years and have reached the point where we are paying one of the highest sewer rates in the State of Michigan. Cadillac residents who are paying less than 25% of what we are paying for sewer services are paying less than half of what we are for waste processing and in addition, have the ability to not pay when they are away for a significant period. On top of this, the Lake Mitchell Sewer Authority (LMSA) is close to securing a federal loan in excess of \$9 million to do further upgrades to our sewer system and has indicated that our rates will likely go up another 40% after that. Additionally, our rates include only sewer services where most other rates in Michigan include both sewer and water.

We who are members of the LMPOI believe that LMSA users need to take action quickly to ensure that this scenario of unnecessarily high sewer rates is reversed. The only way that we can do this is if we can demonstrate to our Townships and the LMSA that we have the strong support of all sewer services users. **Therefore we are asking you to sign and return the attached petition to us by December 1, 2021.**

The rest of this letter will provide you with some background information that will help you better understand how we have arrived at this unfortunate position with regard to our sewer services. While this letter is lengthy (3 pages), we urge you to read it completely to learn why your sewer rates are so high and to learn that we can only take action collectively with your support. Unfortunately, the sewer system oversight situation is so problematic that it cannot be explained briefly.

Who we are

The Lake Mitchell Property Owners Association (renamed the LMPOI in 2018 after incorporating as a 504c4) was formed in 1988 to address lake levels, lakefront property owner concerns and other issues related to the wellbeing and enjoyment of our beautiful lake. Our members voluntarily pay annual dues of \$50. LMPOI has five board members elected by the dues-paying members. We were NOT established to address the sewer issues. When many of our members started complaining about the cost and management of the sewer system we decided to learn as much as we could about the operation of the sewer authority. We have been repeatedly blocked from learning about and providing any input to the LMSA board and the three township boards.

We are NOT the Lake Mitchell Improvement Board (LMIB). The Lake Mitchell Property Owners Association (forerunner to the LMPOI) established the LMIB in the 1980's as a separate organization to specifically address weed control issues. Their legal structure allows them to levy assessments on lakefront property owners to cover the costs of weed control. Unlike the LMSA, the LMIB operates in an open and transparent way, uses independent outside experts and, puts service contracts out for bid.

Sewer service history (brief summary)

1970: Sewer system installed to improve lake quality. All residences and cottages on Lake Mitchell were required to use it.

2015: The sewer system was managed by Wexford County Department of Public Works until 2015 when the County decided it no longer wanted to manage it. It deeded the system to Cherry Grove, Selma and Clam Lake Townships and certified that the system was in good working order with no known problems. This turned out to be untrue.

2016: The Lake Mitchell Sewer Authority (LMSA) was created and signed a contract with a company named Wade Trim to manage and maintain the sewer system. The LMSA board meets once a month to approve invoices from Wade Trim.

The LMSA board is made up of 5 members. Cherry Grove and Selma Townships each appoint 2 members and Clam Lake Township appoints 1 member. The difference in number is due to the number of sewer users that each township has on the system. Cherry Grove users constitute approximately 50%, Selma Township users constitute approximately 45%, and Clam Lake has about 5% of the total users.

Currently, only one LMSA board member (and board president) is a sewer service user and that person is the same person who previously worked for the Wexford County Department of Public Works and at that time was responsible for the operation and maintenance of our sewer system. He misleadingly certified that the sewer system was properly maintained and in good working order (it certainly was not) when it was transferred to the townships in 2015.

The administrative head of the LMSA is also the same person who had similar administrative responsibility for sewer system management when she worked at the Wexford County Department of Public Works. The LMSA board and leadership positions are currently held by the same people who mismanaged the sewer system when it was under County control.

The other four LMSA board members are township supervisors and township board members, none of whom are sewer system users. When they serve on the LMSA board they legally have a fiduciary responsibility to serve the LMSA sewer users but they routinely act and vote in the best interests of township management and township citizens who do not receive sewer services from the LMSA. They vote to raise the sewer fees that we pay without ever having to pay them themselves.

2020: LMPOI members asked to be put on a LMSA board meeting agenda and provided the board with a list of questions to be answered. The answers were less than satisfactory and since then the LMSA requires that all information be obtained through a Freedom of Information Act (FOIA) requests. LMSA has made this process very difficult and is deliberately trying to keep its activities and decisions out of sight of sewer users as well as charging us for information we should be able to have.

2021: The three townships have become as difficult to get information from as the LMSA has been. They clearly do not want to or intend to meet with us, share information or appoint sewer users to the LMSA board.

The LMSA currently has approximately 840 users, most of whom are residential users.

Our concerns

While written information and documents have been very difficult to obtain directly, LMPOI members have been attending LMSA board meetings (when they are announced) and township meetings to learn what we could. We have also talked with other people informally who have had contact with the LMSA and have helped us piece together what we do know. Here is a list of our concerns that we have based on all the information that we have been able to collect over the past two years. While our list is as accurate as we can make it, our lack of access to documented written information with the use of FOIA requests inhibits our ability to conclusively prove everything noted below.

1. LMSA user fees are one of the highest in Michigan and further substantial rate increases are planned for the future. One estimate shows our sewer rates increasing to approximately \$120/month following receipt of the federal loan (next item). There have already been five rate increases since the LMSA board took over in 2016 with no improvement to the system. As far as we can tell these are mostly management and application for the loan costs.

2. The LMSA board is in the final stage of securing a \$9 million federal loan to repair the system which could be at least three times greater than what other experts tell us should be needed. We users will bear the costs of repaying this loan on top of regular sewer operating and system maintenance expenses.
3. LMSA does not competitively bid on service contracts. Wade Trim is probably overcharging us and the township-appointed LMSA board members are acting as rubber stamps on all (or nearly all) Wade Trim recommendations. Wade Trim actually has a financial disincentive to control costs.
4. The LMSA board lacks any meaningful service user representation.
5. The LMSA and the three townships are actively blocking the appointment to the LMSA board of any users who are paying regular monthly fees.
6. LMSA board members (excepting the person who was responsible for the system when it was poorly maintained by Wexford County) have no prior experience, education or training in wastewater system management. Yet there are sewer users who have such experience who are not able to be appointed to the LMSA board. There are also many sewer users with sound business experience who would do a much better job of LMSA governance and oversight.
7. The same attorney represents both the townships and the LMSA board in what is clearly a legal and ethical conflict of interest. That attorney does not represent the interests of the sewer users, despite the fact that we pay his fees as part of our monthly sewer bills.
8. Decisions affecting sewer service operations and costs are believed to be made in meetings held in violation of Michigan's Open Meetings act.
9. The LMSA board is not accountable to sewer services users. The LMSA has a financial and legal fiduciary responsibility to sewer system users that is being ignored.
10. The LMSA board is not transparent in its decisions and actions.
11. There are serious actual and potential conflicts of interest between LMSA board members, township board members and LMSA subcontractors.
12. LMSA officials are repeatedly in violation of the Michigan Freedom of Information Act (FOIA) and are making the process of obtaining information as difficult and costly as possible.
13. County and Township boards are not doing proper oversight of the LMSA.
14. There is an absence of an outside independent engineering study to justify or corroborate the need for the \$9 million federal loan.
15. LMSA users pay double the rate of Cadillac users for access to the wastewater treatment system.
16. The LMSA board has failed to investigate whether or not it would be less expensive to operate our sewer system with our own employees rather than Wade Trim. One estimate indicates that we could cut operating costs by at least 20% by operating it with our own employees.

It is time for us to act

Please read, sign and return the attached petition by Wednesday, December 1, 2021. If you have any questions you can email us at LakeMitchellPropertyOwners@gmail.com . You can also call one of us below located in your particular township. Our plan is to present our petition to the three township boards to demonstrate that there is strong support to appoint three LMSA service users to the LMSA board.

You and all the rest of us sewer services users will pay the price each month (higher sewer fees) for our failure to achieve real accountability and transparency from the LMSA board and the three township boards at this time. If we do not receive a sufficient number of responses to this petition, we will simply discontinue our hard work on your behalf.

If you do support the work we are doing on your behalf, please become a dues-paying member of the LMPOI. You can register and pay membership dues by going to our website www.LakeMitchellPO.com . Thank you for taking the time to read this letter and respond to the petition.

Lake Mitchell Property Owners, Incorporated Board Members

Dave Stinger, President, 231-429-0604 (Cherry Grove Township)

Jackie Erway, Vice President, 231-357-3683 (Cherry Grove Township)

David Kuyers, Treasurer, 818-560-3057 (Selma Township)

Ron Moelker, Secretary, 616-437-2073 (Cherry Grove Township)

Hugh Hufnagel, 616-430-1419 (Selma Township)