

Minutes of the Board of Water Commissioners' Meeting

Monday, September 16, 2013

Present: Commissioners G. Van De Kreeke, R. Haen, Mark Heinz, and J. Trueblood, Superintendent. Ms. Jodi Dobson, Baker Tilly, by teleconference. Mr. Amrou Atassi, CDM Smith, and Mr. Ed Nevers, Donohue & Associates. Ms. Carol Wirth and Mr. Brandon Wirth, WI Public Finance Professionals, LLC.

The meeting was called to order by G. Van De Kreeke, President, at 4:01P.M. All present recited the Pledge of Allegiance.

Minutes of Previous Meeting

Motion by Commissioner Haen, seconded by Commissioner Van De Kreeke, that the minutes of the August 19, 2013 meeting be approved as presented. Motion carried unanimously.

Financial Reports

The reports for August were reviewed. Commissioner Van De Kreeke made a motion to accept the financial reports, seconded by Commissioner Haen. Motion passed unanimously.

Superintendent's Report

Operations' Department Report

Superintendent reported that August pumpage decreased 2% from last year. Superintendent then reviewed the summary of operations work for the month. The Commissioners accepted the report as presented.

Construction Maintenance Department Report

Superintendent reported the crew had installed water main on Barrett Street. A water main break on S. 16th Street just south of Mead Avenue had revealed an unusual failure, with numerous holes all along the bottom of the pipe. The Commissioners accepted the report as presented.

Old Business

Old Business Presented By Commissioners

None.

Other Old Business

Update Board on wash tank construction schedule

Superintendent stated that DN Tanks had completed construction of the tank itself. Later this week, other DN tank staff will come to the site for filling and disinfection processes. With that completed, masonry work will then begin. There was some further discussion on maintaining the old tank.

Discuss Water Rate Study by Baker Tilly

Superintendent introduced Ms. Jodi Dobson of Baker Tilly, and she joined the meeting by teleconference from Madison. She expressed her appreciation for being able to do so. She then reviewed the "Forecasted Report on Water Rates," prepared by Baker Staff with data and input furnished by Utility staff. Jodi emphasized that two major factors impacted the need for revenue growth: first, the Utility's ongoing investment in capital additions; and, second, flat and/or declining sales, which have affected most Wisconsin utilities. The Utility has been steadily investing \$2M per year on routine capital replacement projects, while also pursuing borrowing for non-routine capital projects, such as the wash water tank. These investments simply can't be sustained on flat revenues without rate increases. In addition, as the Utility invests more into capital replacements, the annual PILOT increases along with any new debt service payments. Depreciation expenses also increase with more capital investment. Furthermore, Baker Tilly found the operation and maintenance expenses to be flat over the past few years, which indicates good cost management. In order to

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meet a 6.0% rate of return, maintain positive cash flow, and meet debt requirements, the forecasted revenue requirement was estimated at a 7% overall increase. Jodi stated this translated into an increase of less than one dollar per month for a residential customer.

Superintendent emphasized that capital investment is critical and should be ongoing in order to provide a safe and reliable flow of water to the community. Other large projects loom on the horizon, including UV disinfection and the intake/low lift/suction well project. These will require additional borrowing. Jodi emphasized that progressive revenue growth is a more sustainable method for supporting additional debt service.

There was discussion among the Commissioners about earlier years when the rate of return had been lower, but this preceded the period of borrowing to fund large capital replacements such as the south basin and the Erie Avenue water tanks. Ms. Dobson stated that maintaining the rate of return helps ensure cash flow and is a prudent plan. Superintendent indicated that the cost of service study, which shows the distribution of revenue among rate categories, had not been conducted yet. Ms. Dobson explained the study would be completed following input from WI Public Service Commission on the report in hand. At this point, the Board would be authorizing Baker Tilly to submit the rate study to PSC.

Commissioner Haen a motion, seconded by Commissioner Heinz, authorizing Baker Tilly to submit the rate study to PSC. Motion passed unanimously.

Update on mobile home park master metering plans

The Commissioners reviewed letters that had been mailed to the two parks within the Utility's service area. The letters explained the regulatory need for the Utility to switch to master metering. The meter pits and meters would be at the Utility's cost. Superintendent advised that staff had begun considering possible locations to house the master meter for each park, but final plans were not yet available.

New Business

Business to be presented by Commissioners

There was none.

Other New Business

Discuss claim submitted by Mr. Mike B.

Superintendent presented a claim submitted by Mr. B. of Riverdale Avenue, who is a Utility customer. Mr. B's claim alleged that Utility staff had torn up Mr. B's yard and turned off his water. Superintendent presented images taken of the alleged damaged area looking from the street into the property. At the location of the curb stop, a small circular disturbed area could be seen. When accessing a curb stop in grass, Utility staff typically cut a 12" diameter wedge of grass and soil, lift it upward, access the curb stop, and then replace the wedge of grass and soil. There was no photographic evidence of any other disturbance. If Mr. B. had simply cooperated with the meter foreman in scheduling a time to change out his water meter, access to the curb stop would not have been necessary. Mr. B. claimed that, due to his variable work schedule, he could not schedule a time. Other customers have variable work schedules, too, and work with the Utility to determine a workable time. Mr. B. refused to cooperate and thus forced the Utility to disconnect water service, as per WI PSC administrative code for non-access to a water meter. Mr. B. is claiming damages of \$75 for tearing up his yard, turning off his water, 1/2 days wages, grass seed, and bottled water.

Commissioner Haen made a motion, seconded by Commissioner Heinz, to deny the claim. Motion passed unanimously.

Discuss proposal for UV disinfection design and construction engineering services

Mr. Amrou Atassi of CDM Smith and Mr. Ed Nevers of Donohue & Associates joined the meeting at 4:40 PM. Mr. Atassi distributed a presentation package to the Commissioners, who had earlier received a proposal on Ultraviolet Disinfection Design & Construction Services from CDM Smith in association with Donohue & Associates. Mr. Atassi then described the need for a secondary disinfection barrier and emphasized that most neighboring Lake Michigan utilities have already implemented either UV, ozone, or membranes. Mr. Atassi and Mr. Nevers then explained their roles in the project, and emphasized CDM Smith's national and international UV expertise, and Donohue's local presence and extensive involvement with the Sheboygan treatment plant. Mr. Atassi showed a tentative construction schedule, and Mr. Nevers spoke about the value of having both firms involved in the project.

Commissioner Heinz questioned the length of the construction timeframe. Mr. Atassi explained the possibility of lengthy procurement times on the UV units, which would not be off the shelf. Commissioner Haen raised questions about the difficulty of winter construction and wondered whether the schedule could be shifted earlier.

The Commissioners then reviewed the cost proposal element. Superintendent relayed a question about the sum of values in the Level of Effort and Fee table. Commissioner Haen then asked about the cost per hour that could be calculated using the figures shown under Task 7. This seemed to reflect higher costs associated with this part of the project, which was mostly to be conducted by Donohue. Mr. Nevers explained the higher costs partly in terms of the involvement of higher level employees.

Commissioner Heinz asked additional questions related to backup electrical supply for the UV system. There was discussion on the need for a replacement generator in the main treatment plant: this work element was not included in the proposal.

After further discussion, the Commissioners and Superintendent thanked Mr. Atassi and Mr. Nevers for their proposal and presentation. Commissioner Van De Kreeke made a motion, seconded by Commissioner Heinz, to pursue the CDM Smith proposal on a not-to-exceed \$500,000 basis. Motion passed unanimously.

Discuss funding plans for UV disinfection project

Ms. Carol Wirth and Mr. Brandon Wirth, of WI Public Finance Professionals, joined the meeting at approximately 5:45 PM. Ms. Wirth has been a longtime adviser to the Board on financing options. Ms. Wirth presented a Preliminary Report on Financing Water Utility Projects, which included an estimated amount of \$5M for UV disinfection in 2014/2015, and an amount of \$18M for Intakes/Low lift pumping station in 2019. Ms. Wirth showed various windows of opportunity for refinancing existing debt due to callable windows coming due. Ms. Wirth included options for debt issued in the tax-exempt market in comparison with debt issued through the state safe drinking water loan program. Consideration of the different options is critical to understand the future revenue needs of the Utility in order to support capital investment and replacement of critical infrastructure. After discussion, the Commissioners made no determination in pursuing any particular financial plan.

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Update on roofing proposals for office/garage and 1939 clear well

Superintendent reviewed the bids received. Commissioner Haen made a motion, seconded by Commissioner Heinz, to accept the low bid of Kaltenbrun Brothers at \$85,892.00 with additional concrete work at \$6,500.00. Motion passed unanimously.

Correspondence

None.

Approve Vouchers

Motion by Commissioner Haen, seconded by Commissioner Heinz, that gross payroll for August of \$193,584.33 and general vouchers for August of \$1,044,698.97 be allowed and approved. Motion passed unanimously.

Personnel

Update on vacancy in the operations department

Superintendent advised that Mr. Troy Rodman will begin duty as a water treatment operator on September 30, 2013.

Other Matters

Next Board Meeting

The Commissioners will determine the next meeting date at a later time due to potential schedule conflicts.

With no further business, the meeting adjourned at 6:45 PM on a motion by Commissioner Haen, seconded by Commissioner Van De Kreeke. Motion carried unanimously.

Minutes taken by:
Superintendent
Joe R. Trueblood

Raymond W. Haen, Secretary