

# Minutes of the Board of Water Commissioners' Meeting

Monday, May 14, 2012

Present: Commissioners G. Van De Kreeke, R. Haen, A. Stewart, and J. Trueblood, Superintendent. City of Sheboygan Finance Committee. See Finance Committee minutes for other attendees.

The meeting was called to order by G. Van De Kreeke, President, at 4:58 P.M., at the conference room on the third floor of City Hall. This was a joint meeting with the City Finance Committee. All present recited the Pledge of Allegiance.

## New Business

### Discussion of issues involving the cost of water main installation on South Business Drive

Committee Chair Don Hammond invited the Board of Water Commissioners to join a discussion involving invoices that the Water Utility had submitted to City Finance for private water service assessments and water main extension on South Business Drive in 2011. Mr. Amodeo gave a brief introduction. Mr. Trueblood then explained the two basic issues.

The first issue involved the funding of private water service replacements. Approximately ten years ago, the Water Utility agreed to fund private water service replacements by paying the upfront costs; then, as the payment of service assessments was received by the City, the Water Utility would be reimbursed. A cap of \$50,000 per year was established and used as a budget figure for the Utility. Since that time, the actual amount of private water service replacements only exceeded \$50,000 twice. In the first year, involving extensive work on Michigan Avenue, the Utility sent an invoice to City Finance for the amount over \$50,000, and the Utility was then reimbursed. Last year, the Utility sent an invoice to City Finance for \$141,045 because actual private water service replacements came in at \$191,045. The large amount of service replacements stemmed from street projects done by the City in older areas, which then required new private water services (replacing 100 year old lead services). Mr. Amodeo felt that, due to budget constraints, the City should not have to reimburse the Utility for these costs.

After discussion at an earlier meeting, the Board felt that the Utility could accept the City's request that the Utility not be reimbursed for the \$141,045 up front, but would receive reimbursement as property owners paid their water service assessments.

The second issue involved costs associated with a water main extension on Highway OK, south of Weeden Creek Road. In 2009, the Water Utility was contacted by City Development regarding a potential development of a remaining parcel in the Business Park; a seamless gutter shop was anticipated to be constructed on the parcel. However, water main had not been extended to that location. After various discussions with City Development, the Utility determined to extend the water main approximately 1,565'. This would complete water main service to the other remaining parcel in the Business Park, and it would complete a portion of water main extension needed to serve anticipated development further south. As in the past, the Utility was informed that Business Center funds would be used to pay for the portion fronting the Business Center; that was 65.5% of the entire length of extension, totaling \$82,369.23. In addition, City Development requested that 8" private water laterals be installed across the road to serve the two large remaining parcels, adding \$17,600 in cost. The total then came to \$99,969.23.

In addition, the water main extension on South Business Drive fronted certain out-of-city parcels (not included in the above figure) and a wetland. The City has typically paid for these out-of-city frontages. This added \$16,684 to the above amount, bringing the total to \$116,653.23.

Mr. Trueblood explained that no customers have been connected to this water main. It was installed for the purpose of anticipated development at the time and due to road construction underway.

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Chair Don Hammond stated that he was uncomfortable with the idea of installing City water main fronting Town property. Mr. Trueblood responded this is only done when necessary to get from point A to point B, and that Town residents cannot receive city water service unless the parcel is annexed into the City.

Discussion then ensued on which documentation had been received by Council members when Resolution 237-10-11 passed Council on April 6, 2011. Mr. Trueblood referred to a sheet entitled Preliminary Estimate of Water Main Special Assessments that Mr. Short, of the Utility, had faxed to City Finance and the City Clerk's office on February 21, 2011. This sheet included preliminary estimates of all water main assessments and also information indicating costs that would be incurred by the City on the project. Ms. Buss referred to a sheet that she had used to pay the out-of-city frontages, but this sheet did not refer to other elements of financing involved in the project. Alderman Carlson stated that, on his review, the documents on file at the Clerk's office did not specify the agreement over the City's portion of the funding for the project.

Commissioner Van De Kreeke explained that the Utility's rate file, authorized by the Wisconsin Public Service Commission, specified that if the municipality is unwilling or unable to make a special assessment for water main extensions, then an extension will be made on a customer-financed basis. City Attorney McLean stated that he had not found that stipulation in PSC Code. Mr. Trueblood relayed a document to Attorney McLean, which was the language incorporated in the Utility's rate file. Attorney McLean then confirmed the rate file language corresponded with language in City Ordinance regarding the funding of water main extensions.

There was discussion on rolling various costs into water rates, as is done with City sewer rates. Mr. Trueblood explained that water utilities are regulated by WI PSC, whereas wastewater plants are not. Water Utility rates are determined and authorized by WI PSC based on actual cost of service and other financial models.

There was discussion on how to avoid problems in the future. Overall, if the City is unable or unwilling to make special assessments for water main extensions, or otherwise cover the cost of such extensions, then the costs need to be agreed upon in a written developer's agreement.

Chair Hammond asked if anyone saw a means to resolve the problem over reimbursing the Utility for the City's portion of the water main extension. President Van De Kreeke informed the Committee that the Utility pays an annual payment in lieu of taxes (PILOT) of nearly \$1,000,000. The portion owing to the Utility could be deducted from upcoming PILOT payments. Mr. Amodeo felt that the finance department's budgeting had already taken into account the expected PILOT payments. President Van De Kreeke suggested that the deductions could be spread over some time period in the future, so as to not disrupt the City's budget for 2012.

There was no action taken at this meeting. Ultimately the Finance Committee and the Board members agreed to table the issue and take no action at this time. The Committee and Board members thanked each other. With no further business, the Board meeting adjourned at 6:10 PM on a motion by Commissioner Stewart, seconded by Commissioner Van De Kreeke. Motion carried unanimously.

Minutes taken by:  
Superintendent  
Joe R. Trueblood

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Raymond W. Haen, Secretary