

Board of Water and Sewage Commissioners
Monday, March 8th, 2010
12:00 P.M.

MINUTES

PRESENT: Paul Adamski, Eugene Tubbs, Jim Cooper, and Carl Rasmussen.

ALSO PRESENT: Mayor Halverson, Kim Halverson, Brenda Thomas, Rob Molski, Gary Kuplic, Eric Niffenegger, Jaime Zdroik, Joel Lemke-Director of Public Works, John Andres-Baker Tilly, Angel Gebeau of AECOM, and Cathy Dugan-Citizen of Stevens Point.

UNEXCUSED ABSENCE: Mae Nachman

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I. ADMINISTRATION

1. Approval of minutes of the February 8th, 2010 meeting.

Motion made by Carl Rasmussen, seconded by Eugene Tubbs to approve the minutes of the February 8th, 2010 Water & Sewage Commission meeting with the correction under Item 4 paragraph two, which should be changed to “projects will be completed in May”.

Ayes all. Nays none. Motion carried.

II. ACCOUNTING

2. Consideration of claims for the Water and Sewage Treatment Utilities.

Paul Adamski presented the statement of claims for the Water Utility for February. The balance as of February 1st, 2010 was \$1,602,511.34; the bank deposits recorded in February 2010 were \$1,132,496.63. Checks issued since the February 8th, 2010 meeting numbered 43809 through 43851 were in the amount of \$1,380,799.65. Checks numbered 43852 through 43880 for \$289,552.25 were presented for action on March 8th, 2010. The net balance on hand March 8th, 2010 was \$1,064,656.07.

Motion made by Eugene Tubbs, seconded by Jim Cooper to approve the Water Utility claims for the month of February 2010 as audited and read.

Ayes all. Nays none. Motion carried.

Paul Adamski also presented the statement of claims for the Sewage Treatment Utility for February. The balance as of February 1st, 2010 was \$2,154,939.12; the bank deposits recorded in February 2010 were \$714,240.51. Checks issued since the February 8th, 2010 meeting numbered 27373 through 27403 were in the amount of \$164,096.25. Checks numbered 27404 through 27428 for \$90,600.79 were presented for action on March 8th, 2010. The net balance on hand March 8th, 2010 was \$2,614,482.59.

Motion made by Jim Cooper, seconded by Carl Rasmussen to approve the Sewage Utility claims for the month of February 2010 as audited and read.

Ayes all. Nays none. Motion carried.

3. Discussion and action on sewer rate increase.

John Andres of Baker Tilly was present to explain the sewer rate study. As part of the requirements for the Clean Water Fund, the sewer rates are to be reviewed every two years. The rates were last

reviewed in 2008 and there was a two step rate increase, one in June 2008 and one in June 2009. They are proposing an overall increase of \$806, 800. The increase is necessary to cover new debts for the Lift Station projects and Biogas projects.

A debt rating was completed by Moody's and was very favorable. Baker Tilly forecasted the borrowing at 4% but it will be at approximately 3.5%. Investment income has decreased dramatically due to lower interest rates.

If the rate increase is approved, the average residential customer's quarterly sewer bill will increase approximately \$15.00 or \$60.00 per year bringing the average charges for a year to a little less than a dollar a day for wastewater treatment.

The Residential Rate Comparison for quarterly sewer rates completed by Baker Tilly showed that the Stevens Point utility wouldn't have the highest or lowest rates. It would fall somewhere in the middle even if the rate increase is approved.

Kim stated the Wausau utility has not done an upgrade of their sewer plant in quite a long time and Plover is currently doing one so their rates will be going up as well.

John stated the Clean Water Fund loan done in 1992 to cover the Sewage Treatment Plant Upgrade will be paid off in May of 2012.

Mayor Halverson said the 1992 Clean Water Fund loan being paid off in 2012 is alone one of the most important variables for this department moving forward into the future on top of \$500,000 to \$1,000,000 a year for infrastructure maintenance and all other things that might need to be done depending on the facilities study or what the state requires us to take on as far as treatment in the future is concerned. At a minimum, through the transition of transferring the Conveyance System to the utility, we knew it would be challenging because of the needs of the system in terms of maintenance, in particular and added growth. What we did in terms of the interceptor going to the East, we leveraged the borrowing capability of the current user to be able to get that into the ground and be prepared for any growth that would need to be dealt with moving to the East. At the same time we can talk about connection fees going into the future and how we in turn, not only in terms of the overall distribution of the rate burden in the future amongst more users clearly, but at the same time we want to recoup the principle, at a minimum, and hopefully with interest at a maximum along with the connection fees for that sewer moving into the future. So when we realized the debt service for 1992 was going to be retired, we will literally in essence have the capability with the rate increase as proposed to keep the rates very stable on top of possibly another \$10,000,000 of expenditures then in new dollars. In terms of the rate impact in the future as the system itself naturally grows, unless consumption drops dramatically, but even with the changes in consumption that we have experienced as a utility, we now know post this rate increase in particular even with millions of added investment to the system the rates should be relatively stable moving into the future. This is very important to remember for other capital improvement planning that we do in terms of in the road, or five to eight

million in treatment plant requirements. Moving forward we should be able to absorb any of those capital improvements with a relatively stable rate structure. The single most important variable for the Mayor to have a comfort level is knowing that debt service will be paid off in 2012. This will make a huge difference on our debt coverage ratio. We presented our debt coverage ratio to Moody's without the rate increase in it and we were still covering at 1.6. So with that debt service being retired, we are now at 3.45 in 2012 in terms of total debt coverage. We are very comfortable knowing that, yes we are going to have a few rate increases, but knowing what we are going to take on in the future we are very comfortable with where the system will be in terms of the rate structure, especially as we approach 2012.

John Andres stated one of things the Biogas project needs to operate is nutrients in the wastewater and be able to generate the maximum efficiency of the equipment that we are looking to install. One of the ways this can be done is to get outside holding and septic tank waste. In the past, Stevens Point has not been interested in getting haulers to bring in wastewater to the plant and the rates that are in place reflected that because they are much higher than any other surrounding utilities. Now with the Biogas project there is a need to get some of the waste haulers to come to the Stevens Point utility to make the plant operate at its maximum efficiency.

John explained three different holding and septic tank rate scenarios to the Commission starting at \$44.76 per 1,000 gallons without equipment replacement, \$22.62 without equipment replacement or 1992 debt and the lowest rate at \$21.36 without equipment replacement, 1992 debt or the rural surcharge. There would also be an administrative fee that could be charged on a monthly basis.

Kim said we are now looking into this due to the Biogas generation project and the cost of operations.

John said the waste from the haulers is ten times the strength of residential households.

Eric stated another benefit to accepting holding and septic tank waste is because our loadings are going down so in the near future we may have to supplement the food to the biological activity by buying chemicals.

Kim said the reason we didn't want to accept septage in the past is because we were having high loadings, but the issue has been resolved.

Paul Adamski stated it was wise to wait a few years after the high strength issue was solved before reducing the rate to accept waste from haulers now.

Mayor Halverson stated one of the strong positives for encouraging this is knowing the Commission can go back to whatever they want to set the rate at post the rate review to decide if they want to change it in the future and for us to be able to encourage as much methane generation as possible will be great positive for the utility overall in being able to produce that much more electricity off of

the generator and possibly have it run 24 hours a day, which would dramatically change in the future what the payback of that capital investment would be not to mention the environmental benefits that we would have from that.

Eric stated another benefit is being able to offer this service to the people we spread our biosolids on.

Mayor Halverson said the instant nitrate contamination that the concentrated septic contains is ten times the strength of the nitrate contribution a normal byproduct is. So the more septic waste that gets spread directly on the farm fields runs off and contributes to groundwater contamination and surface water contamination throughout the county. The more we can treat prior to spreading helps the environment.

Motion made by Jim Cooper approving changing the rates for holding tanks to \$6.06 and septic tank rates to \$29.00 per 1,000 gallons plus a \$10.00 per month administrative fee only in the months it is being used.

Ayes all. Nays none. Motion carried.

Paul Adamski suggested we divide the rate increase and do a small increase this year and the remaining increase the following year.

Mayor Halverson does not recommend doing a two step rate increase given the borrowing capacity that would open up with the rate increase as proposed. The ability for us to operate within a stable rate environment moving into the future knowing the \$978,000 a year in payments with principle and interest would probably open up anywhere from eight to ten million of borrowing capacity and not change the rates at all moving into the future verses if we take a smaller rate stance now. Paul's mindset is absolutely warranted considering we want to do absolutely everything we can to keep the rates stable or lower than necessary, but the ability for us to have the flexibility of that particular dollar amount for debt service that is in the rate calibration today will mean next to no rate increase for later years. If we make the rate increase less today, more than likely if we would have to expand four or five million dollars to the wastewater treatment plant or we have another project that requires a larger amount of capital investment, the chances for a rate increase being more in the future will be higher if we don't do the full rate increase as proposed today.

The Mayor said another important variable is this may produce a fund balance situation for the utility given the nature of some of debt. It might be advantageous to use the fund balance to offset and retire some of the debt perhaps sooner, which is very similar to what Kim and Brenda are doing right now. That is also part of this meeting and they should be commended for it because it is a great use of the cash but that may also be another variable that can be considered depending on when major improvements would have to happen to the plant for the amount of maintenance or refurbishing that we would be doing to the system on an annual basis. If that slows or stays at a stable level, clearly

the possibility for fund balance will exist within the wastewater utility. Right now it is pretty rare to be able to do that on the wastewater side, so it may produce a very good cash management tool that we can utilize in the future but this is the Commission's decision ultimately.

Paul said if we do the first choice of doing the full increase right now we will be able to borrow that money at a lower rate for all of it now than we would if we did part of this year and the remainder next year. The second alternative of doing a two step increase will cost the user more, so is it more important to save them money over the long term.

Motion made by Jim Cooper, seconded by Carl Rasmussen to approve the full sewer rate increase as proposed effective April 1st, 2010.

Ayes all. Nays none. Motion carried.

4. **Discussion and action on water main extension of approximately 300' East from end of main at Venture East of Brilowski & Hwy HH.**

Kim stated the county will be doing a project there that will entail us moving the hydrant at the end of main and it was suggested by the Public Works Director, Joel Lemke to add 300' of pipe at that time taking it to the end of the City limit line for possible developments that may occur in the future. We are requesting the use of funds from our restricted cash and the money we have set aside for projects.

Joel explained this wasn't done previously because it was outside of the project limits at that time.

Kim said our crew will be doing the work and using the City's machines to do it. This is the first time the crew will be attempting to lay this much pipe by ourselves.

Joel said they will contact a design engineer to have a design completed for installation so they won't be conflicting with other utilities.

The Water Department will purchase the pipe and then there would also be the cost of our labor involved. The cost is estimated to be way under \$25,000.

Motion made by Carl Rasmussen, seconded by Jim Cooper to approve the water main extension of approximately 300' East from end of main at Venture East of Brilowski Rd. and Hwy HH.

Ayes all. Nays none. Motion carried.

5. **Discussion and action on using water restricted funds to pay for 2010 water construction projects and paying off series 2003C Taxable Go Promissory Note.**

Brenda explained the amount of interest we are paying on the promissory note is more than the earnings we are getting from the cd's due to the low interest rates. Therefore, Kim and Brenda are requesting to pay off the loan now using water restricted funds and saving \$25,882.50 on interest.

Brenda said our cash on hand in restricted funds is enough to pay this without touching what we have in cd's.

John Andres stated other utilities are not borrowing right now either.

Motion made by Carl Rasmussen, seconded by Eugene Tubbs to approve using water restricted funds to pay for 2010 water construction projects and paying off series 2003C Taxable Go Promissory Note.

Ayes all. Nays none. Motion carried.

III. **WATER OPERATIONS**

6. **Report on water distribution operations.**

Gary stated everything has passed on the Patch Street project and the holes will be repaired tomorrow.

Kim stated we hired a new Equipment Operator due to Gary being promoted.

The water operations report was distributed and reviewed.

A total of 116 valves have been operated in 2010.

7. **Report on water supply operations.**

Our pumpage in February was 144,234,000 gallons, a decrease of 3,592,000 gallons of water from February 2009.

IV. **SEWAGE TREATMENT OPERATIONS**

8. **Report on D.N.R. Lab inspection and evaluation.**

Kim said she is very proud of her staff again for having no deficiencies on the on-site laboratory evaluation conducted by the D.N.R.

9. **Report on Collection System Maintenance.**

Rob stated everything is going well. The crew is focusing more on televising, cutting and jetting.

Kim said Rob is working hard on finding the areas of the City that are in most need of repairs for infiltration, broken pipes etc.

Kim also stated they are looking into bidding out the lining project this year and doing some caulking of cement mains that are leaking badly and fixing some manholes.

The sewer report for the month of February was reviewed by the Commission.

10. **Report on sewage treatment operations.**

Eric stated the plant is running well.

B.O.D. (4.77 ppm), Phosphorus (0.900 ppm) and Suspended Solid (5.36 ppm) limits were met for the month of February 2010.

The next Water & Sewage Commission meeting will be on Monday, April 12th, 2010 at noon.

V. ADJOURNMENT

Motion made by Eugene Tubbs to adjourn the meeting.

Ayes all. Nays none. Motion carried.

MEETING ADJOURNED

1:03pm

BOARD OF WATER AND SEWAGE COMMISSIONERS

EUGENE TUBBS, SECRETARY