

Board of Water and Sewage Commissioners
Monday, May 9th, 2011
12:00 P.M.

MINUTES

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

ALSO PRESENT: Mayor Halverson, Director Halverson, Director Lemke, Brenda Thomas, Eric Niffenegger, Gary Kuplic, Rob Molski, Jaime Zdroik, John Andres of Baker Tilly, Pat Planton of S.E.H. and Angel Gebeau-AECOM.

EXCUSED ABSENCE: Mae Nachman

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V. ADJOURNMENT

I. **ADMINISTRATION**

1. **Approval of minutes of the April 11th, 2011 meeting.**

Motion made by Eugene Tubbs, seconded by Carl Rasmussen to approve the minutes of the April 11th, 2011 Water & Sewage Commission meeting.

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 April. The balance as of April 1, 2011 was \$1,672,625.23; the bank deposits recorded in April 2011 were (*Not available*). Checks issued since the April 11th, 2011 meeting numbered 44902 through 44937 were in the amount of \$710,496.01. Checks numbered 44938 through 44961 for \$93,776.02 were presented for action on May 9th, 2011. The net balance on hand May 9th, 2011 was (*Not available*).

Motion made by Carl Rasmussen, seconded by Jim Cooper to approve the Water Utility claims for the month of April 2011 as audited and read.

Ayes all. Nays none. Motion carried.

Paul Adamski also presented the statement of claims for the Sewage Treatment Utility for April. The balance as of April 1st, 2011 was \$3,715,352.70; the bank deposits recorded in April 2011 were (*Not available*). Checks issued since the April 11th, 2011 meeting numbered 28171 through 28197 were in the amount of \$1,563,022.81. Checks numbered 28198 through 28220 for \$82,189.93 were presented for action on May 9th, 2011. The net balance on hand May 9th, 2011 was (*Not available*).

Motion made by Jim Cooper, seconded by Eugene Tubbs to approve the Sewage Utility claims for the month of April 2011 as audited and read.

Ayes all. Nays none. Motion carried.

3. **Discussion and action on Water and Sewer Department audits.**

John Andres of Baker Tilly presented a summary of the audits to the Commission. John stated we are in good financial position and a strong asset to the city of Stevens Point. 5% less water was sold in 2010 versus 2009. This is a 5% reduction in our revenue base. This is not unique to Stevens Point, the Public Service Commission put out a graph showing the average customer in Wisconsin uses 12% less water than previous years. The driving force behind a possible rate increase is the fact we are selling less water.

The amount of waste water treated went down approximately 2% since 2009.

The water rate of return is at 5.09%, down a little from 2009. The P.S.C. is currently allowing a rate of return of 6 to 7%.

The required debt coverage ratio for the Wastewater Department is 1.25 and we are at 1.40. No debt coverage ratio is shown for the Water Department because the debt is general obligation debt which means, the revenues are being used to pay the debt, in the event the debt couldn't be paid back the taxing power of the City is to make the debt payments. This has never been used but it does allow the Water Department to get a lower interest rate when borrowing.

The Water Department paid a tax equivalent to the City of \$523,469 down a little bit from 2009.

Carl Rasmussen asked if the debt coverage ratio could ever get to be too high. John explained that in 2012 the original debt to build the Wastewater Plant will be paid off and at that time the ratio will be higher but it won't be that high for a long period of time. Mayor Halverson stated the debt coverage ratio will only be at 3.125 or 3.3 for an approximate time period of 12 to 24 months and then it will drop back down to about 1.4 because the projects for Church Street and Division Streets will be about \$8 to \$10 million dollars for the conveyance system alone. Not to mention any other capital improvements that might be called for once the master plan is complete. Rates were raised now in hopes to not have to raise rates in the future to cover these investments.

John stated they like to see at least three months of unrestricted cash on hand. There is 9 months of unrestricted cash on hand for the Water Department and the Wastewater Department went up from 3 months in 2009 of unrestricted cash on hand to 9 months in 2010, due to the fact there was \$1.5 million borrowed for the Bio Gas Project. If that was not accounted for then there would still be 3 months unrestricted cash on hand.

John stated there have been at least four or five banks that have failed recently in Wisconsin and we need to be aware of this. We need to make sure we have collateral or security and to keep monitoring our banks. The money is being spread around to several banks which is good. Paul Adamski stated we need to meet with John Schlice and take a look at this now. Paul said the FDIC website has a Uniform Bank Performance Act which lists the balance sheets and income statements for every bank in the United States. This will need to be monitored on an annual or semi-annual basis. John said there is a program out there where you work with one bank and they spread the CD's out to several banks so then you would get the \$250,000 FDIC coverage from multiple banks.

John explained to the Commissioners they can contact Baker Tilly with any questions or concerns.

A separate compliance audit will be completed for the City due to receiving block grants from the federal government. They don't anticipate any problems or non-compliance issues for the utilities portion.

John thanked Kim and Brenda for their hard work.

Motion made by Carl Rasmussen, seconded by Jim Cooper to approve the 2010 audit and financial statements completed by Baker Tilly.

Ayes all. Nays none. Motion carried.

4. **Discussion and action on hiring Baker Tilly to perform a water rate review and public fire protection study.**

John stated revenues are down actually more than 5% since the last rate increase in 2008 and instead of waiting and having a significant increase later on, they decided to look at the rates on a three year cycle. The P.S.C. is losing a lot of their experienced staff so the process will take longer. The new rates would probably not be effective until January or February of 2012. The P.S.C. is offering different types of rate designs as far as water conservation and rebate programs.

John said with the continuing pressure on City aid from the State this might be the year where public fire protection will need to be placed on the utility bill instead of being included in the property taxes. This was reviewed a couple of years ago, but

they decided not to do it at that time. So this would update the original study.

Mayor Halverson said there is a high likelihood this will be implemented because of the necessity on the expenditure side for the City. It's not going to be as much of a concern on the revenue side, because the City chose to participate in the Expenditure Restraint Program which is an incentive program via the State that gives us \$500,000 of added State revenue if they abide by the equation as it is set up within that program. Governor Walker has placed a zero percent increase into that formula for 2012 within his budget that will probably be passed. The City will lose approximately \$600,000 in overall revenue and they will be able to recoup about \$314,000 in the Wisconsin Retirement System contributions negotiated in the contracts and or what will become mandatory by law. They don't feel they can keep the City's levy and expenditure increase at zero. So by having the fire protection placed on the utility bills it will give the City \$440,000 of levy and more importantly expenditure room which is where they need the cushion. At this point they feel like they have no other place to turn.

Paul asked John what percentage of municipalities our size or larger that have the fire protection fees on their utility bills. John said as of last year, statewide it is about 1/3 but thought there would be a lot more looking at it now. John said there is 9 different ways to bill it but the most common is based on meter size.

Kim said we'd also lose the 25% surcharge for out of town customers.

Motion made by Carl Rasmussen, seconded by Eugene Tubbs to approve Baker Tilly to perform the water rate review and public fire protection study in the amount of \$12,000.

Ayes all. Nays none. Motion carried.

5. **Discussion and action on implementation of connection fees for new 24" sewer main.**

John explained there has been a significant amount of sewer projects done, lift stations, force main in the industrial park area for approximately \$4.2 million dollars of facilities being installed. We were asked to put together a connection fee in order to recapture some of the cost of installing the facilities in the Business Park. The facilities were put in to serve a very specific area and when those were put in the concept is that the future customers that were going to benefit from that should

be making a payment towards that. If we don't do a fee, then all the existing customers would be paying for those facilities.

There are different ways of billing the connection fees, one could be based on acreage another way is equivalent meter or equivalent services based on meter size.

Management is recommending using equivalent service multiplier. The original letter stated management was recommending equivalent meter this needs to be corrected.

Mayor Halverson realized if we implemented the connection fee based on equivalent meter it might deter economic development specifically to larger users.

Paul asked Director Lemke for an example of a company with a 6" meter. He explained there are some companies with larger services coming in but only have a 2" meter size.

Motion made by Eugene Tubbs, seconded by Jim Cooper to approve the connection fee using equivalent service multiplier.

Ayes all. Nays none. Motion carried.

This will be written as a resolution for the Common Council meeting.

6. **Discussion and action on award of Bio Gas project to Staab Construction.**

Kim explained we had three bids. Donohue has reviewed the bids and are recommending Staab Construction as low bid. The bid came in at \$1.9 million and it was estimated at \$1.7 million. Kim said we do have the grant money from the Focus on Energy and replacement fund dollars we can use. We are fully funded for the \$1.9 million.

Motion made by Jim Cooper, seconded by Carl Rasmussen to approve the Bio Gas Project to Staab Construction in the amount of \$1,916,800.00.

Ayes all. Nays none. Motion carried.

III. **WATER OPERATIONS**

7. **Report on water distribution operations and City wide main flushing.**

Gary stated we flushed hydrants and it went well. The leak detector will be here next week. They started installing the transmission main for Well 11.

Kim said we had very few dirty water calls when flushing this year.

The water operations report was distributed and reviewed.

A total of 54 valves have been operated in 2011.

8. **Report on water supply operations.**

Kim stated pumpage is still down. Kim stated our D.N.R. inspection will be done later this week.

Our pumpage in April was 148,872,000 gallons, a decrease of 18,156,000 gallons of water from April 2010.

9. **Report on Well 11.**

Pat Planton of S.E.H. stated the transmission main for Well 11 is underway and should be done by Memorial Day, depending on how soon W.P.S. can move their gas main which is in the way. They also started the treatment plant for Well 11 laying concrete for the floor and some walls.

IV. SEWAGE TREATMENT OPERATIONS

10. **Discussion and action on 2010 Compliance Maintenance Annual Report and Resolution.**

The Wastewater Treatment Plant received A's on all sections except for the Influent Flow and Loadings which was graded at a B on the Compliance Maintenance Annual Report.

The contributing factor for the Grade B for the influent was a lot of rainfall last fall and it caused extra loading to the plant. The total score is in the compliance range with no action required.

Motion made by Carl Rasmussen, seconded by Jim Cooper to approve the 2010 Compliance Maintenance Annual Report and Resolution.

Ayes all. Nays none. Motion carried.

11. **Report on Collection System Maintenance.**

Rob said they finished televising and are now concentrating on cutting and cleaning.

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

12. **Report on sewage treatment operations.**

Eric stated the plant is running well.

B.O.D. (5.13 ppm), Phosphorus (1.118 ppm) and Suspended Solid (7.41 ppm) limits were met for the month of April 2011.

The next Water & Sewage Commission meeting will be on Monday, June 13th, 2011 at noon.

VI. ADJOURNMENT

Motion made by Eugene Tubbs to adjourn the meeting.

Ayes all. Nays none. Motion carried.

MEETING ADJOURNED
1:13pm

BOARD OF WATER AND SEWAGE COMMISSIONERS

EUGENE TUBBS, SECRETARY