

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

MINUTES

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

ALSO PRESENT: Mayor Halverson, Kim Halverson, Brenda Thomas, Eric Niffenegger, Gary Kuplic, Rob Molski, Jaime Zdroik, John Andres of Baker Tilly, Matthew Brown of the Portage County Gazette, and Cathy Dugan – Citizen of Stevens Point.

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I. ADMINISTRATION

1. Approval of minutes of the August 8th, 2011 meeting.

Motion made by Eugene Tubbs, seconded by Carl Rasmussen to approve the minutes of the August 8th, 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 August. The balance as of August 1, 2011 was \$2,817,771.42; the bank deposits recorded in August 2011 were \$1,574,556.49. Checks issued since the August 8th, 2011 meeting numbered 45210 through 45268 were in the amount of \$1,047,549.94. Checks numbered 45269 through 45298 for \$78,073.21 were presented for action on September 12th, 2011. The net balance on hand September 12th, 2011 was \$3,247,965.59.

Motion made by Mae Nachman, seconded by Jim Cooper to approve the Water Utility claims for the month of August 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 August. The balance as of August 1st, 2011 was \$4,572,208.57; the bank deposits recorded in August 2011 were \$513,936.05. Checks issued since the August 8th, 2011 meeting numbered 28378 through 28420 were in the amount of \$141,719.20. Checks numbered 28421 through 28446 for \$51,667.25 were presented for action on September 12th, 2011. The net balance on hand September 12th, 2011 was \$4,779,793.09.

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

Ayes all. Nays none. Motion carried.

3. **Discussion and action on water rate study and public fire protection fees.**

John Andres of Baker Tilly explained the water rate study and public fire protection fees.

The four major components of the water rate increase analysis is operation and maintenance, depreciation, taxes (payment in lieu of taxes) and requested rate of return. The Public Service Commission does not look at debt service. The debt for borrowing for the new well and treatment project is not considered a cost by the P.S.C. The three components that increased are depreciation, taxes and requested rate of return. From 2008 to 2011 over \$15,000,000 in plant additions were constructed. Ten percent of the \$15,000,000 would be the necessary increase for depreciation, taxes, and return. The main driver of the rate increase is the plant additions from 2008-2011. The second driver for a rate increase is customers in Stevens Point, and throughout Wisconsin, are using less water. It is forecasted from 2008 to 2011 that the average customer in Stevens Point is using 20% less water. The cost of the facilities is there whether you are using a lot of water or a little so the cost has to be recovered over fewer gallons. The cost per gallon has increased. Another driver for the rate increase is a decrease in usage from major industrial customers.

In order to keep the rate increase lower, they looked at what the cash flow amounts would be using a lower rate of return than normal. If we don't do a rate increase we would end up with a \$488,144 negative cash flow so we have to increase rates. Also, the State requires the utility to maintain a 1.25% debt coverage. Baker Tilly is recommending we go with either a 2.5% or 3% rate of return which means the rate increase for an average residential customer per quarter would be either \$12.81 or \$14.79.

Paul Adamski questioned why a lower rate of return can now be feasible when in the past it has always been 6 to 7 %. John explained of the \$15,000,000 in plant additions a little over \$2,000,000 in grants were received for the projects and if you are getting a grant you don't need to generate the cash to pay the debt service. Paul said it was great the Mayor, Director Halverson and staff took the initiative to find the grants and wrote the grant applications in a way that we were successful in getting them. We were not turned down for the grants that we have applied for. John Andres stated not many utilities get grants for projects. Also, the utility applied through the State of Wisconsin Safe Drinking Water Loan Program for a subsidized borrowing and the debt for the facility is at rate of interest that is 55% lower than the market rate.

Kim showed the Commissioners a graph she printed off of the P.S.C. website showing the decline in water consumption and the average state-wide cost of water per quarter is \$81.12. So even with a rate increase we would still be lower than the state average.

Paul stated this is a modest increase for a \$14,000,000 investment for Well 11. The D.N.R. pretty much required building a new well for additional capacity. Also, nitrate levels at Well 5 were increasing, Well 4 was having bacteriological problems due to being under the influence of surface water at certain times during the year and the concern of having enough supply if our largest well, Well 10, ever went down for firefighting coverage.

Paul stated a 3% rate of return is about half of what we have used as our benchmark before and it would only be about \$2.00 additional per quarter to the average residential customer than if we went with the 2.5% rate of return.

The Mayor said they would not support an increase of more than a 3% rate of return. The Mayor's office is recommending 2.5% or 3% rate of return but leaning toward 3%. With the 3% rate of return, it would be about \$7.66 per month more for the average customers with the rate increase and fire protection combined. With that increase it still keeps the utility below the mean average of the comparables.

The Mayor stated Well 11 could be the last well the City of Stevens Point will have to build even if Well 4 and Well 5 would ever need to be abandoned.

John Andres explained that historically the fire protection fees were recorded as revenue for the utility and charged to the City's general fund as an expense and collected as part of the property taxes. In the early 1990's the option of placing the fire protection on the utility bill opened up. At that point in time this was not done. Now due to budget crunches most cities in the state are doing this. This would have to be approved by the P.S.C. and there are eight different methods of collecting this. Of the 200 utilities that have decided to do this, over 190 of them use the equivalent meter method. This method is based on the size of the water meter.

When compared to how it is done now on the property taxes, in theory, if you had a \$200,000 home you would be paying twice as much as someone who owned a \$100,000 home. There are some properties that are tax exempt and have not been paying for fire protection and would be if placed on the utility bill.

Baker Tilly recommends that if the Commission decides to do this to use the equivalent meter method because it is the most simplistic. There is no perfect method to choose from in all instances, some will gain and some will lose. The average residential customer would see an \$8.19 quarterly charge before the rate increase.

The Mayor, Director Halverson, and John Schlice weighed all the other methods of collecting fire protection and they decided the equivalent meter size method would be the most equitable and the easiest to accept financially for the largest number of customers.

John said the other three most common methods are based on square footage, assessed values, and the number of fire calls.

Mayor Halverson stated most people do not know that the fire hydrants are not under the control of the Fire Department they are a municipal water utility function. Even though St. Peters church is tax exempt and currently doesn't have to pay for fire protection, if they had a fire of course it would still be put out. It is about equity and distribution of the overall fund. The impact to the City's budget problem would be an additional \$463,000. In their estimates, as of January 1st, 2012 100% of this charge would be placed on the utility bill. So they still retain a \$1.5 million dollar budget problem. The City has been trying to avoid doing this for a very long period of time but they don't have a lot of other areas where they can gain that amount of material funds on the levy side. The City cannot increase their levy. So they are requesting 100% be allocated to the utility as of January 1st, 2012.

Carl asked what percent of the \$463,000 would be from tax exempt properties. The Mayor said approximately 21%. The Mayor stated even with the fire protection fee being placed on the utility bill they will see no savings on their tax levy. This gives us more levy capacity to maintain other services delivered as a City.

Residential customers who have an additional meter for their summer service would not be charged fire protection for that additional meter. If an apartment complex has 20 meters, they would be charged for each meter.

Motion made by Carl Rasmussen, seconded by Eugene Tubbs, to approve the fire protection fee to be placed on the utility bill using the equivalent meter method as recommended, starting January 1, 2012.

Ayes all. Nays none. Motion carried.

Motion made by Mae Nachman, seconded by Jim Cooper to approve the water rate increase with a rate of return of 3%.

Ayes all. Nays none. Motion carried.

4. **Discussion and action on rebuilding the altitude valve in the pressure relief vault, including power, at the well field.**

Kim stated this used to be called an air relief valve but it is recommended we go the altitude valve. Eric explained it is an anticipating altitude valve. It covers the pressure surges and as the pressure goes down into the system and comes back it handles that too so there would be no large pressure swings.

Kim said it has been flooded twice the last two years and that is why they would like to go to the altitude valve as recommended.

Motion made by Carl Rasmussen, seconded by Jim Cooper to approve the quote from Dakota Electric for electrical work in the amount of \$2,150.00 and the quote from Dornier for a 10" GA Surge Anticipator Valve Repair and installation in the amount of \$3,080.00.

Ayes all. Nays none. Motion carried.

III. **WATER OPERATIONS**

5. **Report on water distribution operations.**

Gary stated they will be paving on Franklin Street. That project went well. The crew is working on maintenance items and things are running good.

The water operations report was distributed and reviewed.

A total of 232 valves have been operated in 2011.

6. **Report on water supply operations.**

Kim stated consumption was up in August. June and August were the only two months so far this year that had increased consumption from the year before. Some of the increase was due to the mill having to use more City water when flooding occurred when the power was out during the storm and they could not use river water for firefighting equipment.

Our pumpage in August was 224,237,000 gallons, an increase of 17,311,000 gallons of water from August 2010.

IV. SEWAGE TREATMENT OPERATIONS

7. Report on Collection System Maintenance.

Rob stated everything is going well. They are working in the south 1/3 of the City and have almost all pipes cleaned and will hit the trouble spots where there are a lot of roots. Then they will start televising again.

Paul thanked both departments for helping with cleanup throughout the city after the storm. He said it showed cooperation amongst departments and shows the City employees all doing what is best for the constituents. He thought it was a wonderful thing.

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

8. Report on sewage treatment operations.

The B.O.D. level is up but it should not affect the standing with the D.N.R. because they are more concerned with effluent. The effluent limit is 25 and we are only at 4. They used to be concerned with incoming loadings but now they are more concerned with the end result.

Some of the septic trucks were used this year for sludge hauling.

B.O.D. (4.02 ppm), Phosphorus (0.185 ppm) and Suspended Solid (4.39 ppm) limits were met for the month of August 2011.

The next Water & Sewage Commission meeting will be on Monday, October 10th, 2011 at noon.

V. **ADJOURNMENT**

Motion made by Jim Cooper to adjourn the meeting.

Ayes all. Nays none. Motion carried.

MEETING ADJOURNED

1:06pm

BOARD OF WATER AND SEWAGE COMMISSIONERS

EUGENE TUBBS, SECRETARY