

MINUTES
City of New Berlin
Utility Committee Meeting
Tuesday December 4, 2007

Members Present: Alderman Harenda, Alderman Ament, Alderman Seidl, Commissioner Bob Dude and Commissioner Jim Morrissey

Others Present: Rick Johnson (Utility Manager), Mayor Jack Chiovatero, City Attorney Mark Blum, Jim Hart (Utility Supervisor), Ralph Chipman (Accounting Manager), Alderman Moore, Evan Zeppos (Zeppos and Associates), Steve Schultz (Ruekert & Mielke) and Sue Hanley (Office Coordinator Utilities & Streets)

Alderman Harenda called the meeting to order at 5:06 p.m. with roll call and declared a quorum with all members present except for Alderman Seidl who was expected shortly.

UT J-07 Approval of Minutes from the October 23rd meeting

Motion by Commissioner Morrissey to approve the minutes from the October 23rd meeting. Seconded by Alderman Ament and upon voting the motion passed unanimously.

CLOSED SESSION

The basis for the items to be discussed in Closed Session is as enumerated in Wisconsin Statute Section 19.85(1) (e)

Discussion and possible action to enter into closed session pursuant to Wis. Stat Sec. 19.85(1)(e) Deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session.

More specifically:

- ◆ Discussion concerning Bargaining for the Purchase of water from the City of Milwaukee, City of Oak Creek and City of Racine.

Motion to go into Closed Session at 5:06 p.m. by Commissioner Morrissey. Seconded by Commissioner Dude. Roll call vote: Alderman Ament yes, Commissioner Dude yes, Commissioner Morrissey yes, Alderman Harenda yes.

Alderman Seidl arrived at 5:10 p.m.

Motion to go into Open Session at 6:08 p.m. by Alderman Ament. Seconded by Alderman Seidl and upon voting the motion passed unanimously.

Reconvene to Open Session

UT 12-04 -Status on Milwaukee Water Negotiations

Alderman Harenda: Would like to change the agenda to read Status on Water Negotiations.

Motion by Alderman Harenda to have City Attorney prepare and forward a resolution to Common Council for the Utility Committee to begin water negotiations with the City of Milwaukee or the Milwaukee Water Works with regard to acquisition of Lake Michigan water for the western half of the existing Utility. Seconded by Alderman Ament and upon voting the motion passed unanimously.

-Status on Governor's Office & WDNR approval on Lake Michigan Water for remaining half of Water Utility Service Area

No new updates at this time.

-Status of Infrastructure and Distribution of Lake Michigan Water to Utility customers west of the Subcontinental divide

Alderman Harenda: I talked to Steve from R & M and asked him for detailed information on the infrastructure costs.

Steve Schultz: A letter with the information was forwarded to the Committee members. I will resend it out to the Committee.

Alderman Harenda: Once we have that I will drop this from the agenda.

UT 08-06 Radium Compliance Wells 3, 5, and 7

Alderman Harenda: The bid results were received by the Committee members for the rebidding of this project, but this item will be held upon for 120 days according to the recommendation by R & M.

Steve Schultz: The contract was not awarded yet. The bids were \$40,000 higher than the previous bids. The top 4 bids were within 1% of each other.

No action was taken.

UT 04-07 Update & Status on MMSD 2020 Plan – Impact to City of New Berlin

Alderman Harenda: I spoke at the last meeting about setting up a public hearing with respect to the 2020 Facilities Plan which was approved by MMSD and forwarded to the DNR. The DNR has put it out for public comment at this time on the environmental assessment; comments are due back by December 14th. DNR has to take action by December 31st. We are not able to have a public hearing on the tight timeframe that we have available to us. What I request is to set up a Special Utility Committee meeting on December 20th as more of an informational meeting. I requested Kevin Schaefer from MMSD, Phil Evenson from SEWRPC, and Bill Mielke our consultant to present the facts and the information with respect to where we have been, where we are and where we are going with the MMSD Facilities Plan and open up these members and ourselves to public comment. People that want to be at the meeting can submit written questions and we would basically answer these questions if need be. If there are any questions that can't be answered or anything comes up afterward, the residents or customers can contact Aldermen, Staff or Committee members for further information. I am looking at scheduling the meeting for December 20th at 5:00. All of these individuals have confirmed they can attend, as well as the Committee members. We will broadcast the meeting so that the residents can be aware of what is happening with the Facilities Plan and then taking comment. I was looking at taking the minutes from that meeting verbatim and submitting those to the DNR, SEWRPC, and MMSD as our thoughts and feelings to the Facilities Plan. I don't think we need to take action on this and vote, as long as I have your consensus and everyone can make it.

The Committee members agreed.

UT 05-07 Water Conservation Measures – Current & Future Objectives

Alderman Harenda: Commissioner Dude and I have met on several occasions with Alderman Moore, the Mayor, Ralph Chipman and Rick. We will try to meet the first part of next year and will discuss this in more detail at the next meeting.

Commissioner Dude: Alderman Moore and I did meet informally a couple of weeks ago and one of the things I requested and received a copy of the Waukesha's Rate Proposal so in my spare time I will read through that. I think we should put that together in conjunction with rate increases that we are going into for Sewer and Water when the water situation gets somewhat stabilized. I think if we propose those conservation numbers, that is something that has to be run through the customers because it is a pretty big shift from rewarding you for using more water in terms of price as opposed to going the other way. There is basis out there from what Waukesha did, and it is something we will have to take a look at.

UT 10-07 Approval of Wastewater Utility 2008 Operating Budget

Mr. Chipman said that he worked with Commissioner Dude, Rick and Jim on the budget. He noted the MMSD capital went up \$520,492 and said that MMSD has signed with a new disposal company and we are expecting our disposal costs to go up 20%.

Commissioner Dude walked through the budget assumptions put together by Rick and Ralph. He explained the Budget Analysis and said the operating revenues were relatively flat with a minimal increase.

Commissioner Dude: We don't want to go in for a separate rate increase for sewer and would like to do it at the same time we put in for the water increase. Total operating expenses went up 10.7% and explained the MMSD Disposal and MMSD Capital expenses were the main reasons. That is something we cannot control and these are the numbers that MMSD said we should be budgeting. Health insurance is a 24% increase for next year. The Director position has been eliminated and there are no new hires. The collection system contracted increased \$60,000, which is for I & I work and monitoring and an additional \$20,000 for new mandated testing. On the Profit and Loss, the 2008 budget shows a negative net operating income of \$780,000 that is the first time that has happened in at least 10 years. When you add in our interest income of \$900,000, we still have a net income before capital contributions of \$119,000. The Utility is still "Performa making money" but you aren't making money on operating expenses, so I think we will have to look at a rate increase because long term you do not want to be losing money on operations. I am comfortable because we have a reasonable net worth in that Utility, but we have to revisit this when we decide what we are going to do with the water rate increase.

Alderman Harenda: Just so the Utility customers know, the MMSD charges are pass through expenses and we do not have control of that. Thank you Bob for the work you do every year.

Commissioner Morrissey: What new mandated testing do we have to do for MMSD?

Mr. Johnson: It is a PCB testing for cleaning sewer lines. We don't have a lot of information on it and we don't know what the cost will be yet because it is still up in the air.

Alderman Harenda: The capital improvement costs have gone up dramatically. We have a new company handling the MMSD disposal rates; do we know what the increases will be in future years?

Mr. Chipman: I have that in the budget assumptions. This is the latest projection from Ruekert & Mielke and we do have someone from MMSD talk to us each year. Next year it will go up 3.2%, but again when you look at 2010, it is a 9% increase. We will take that into account when we look at the rates. Hopefully these numbers remain accurate. We do have a 10 year projection from R & M.

Alderman Harenda: This is tied in with a previous discussion of approval of the 2020 Facilities Plan and these charges are coming out of that.

Commissioner Morrissey: I would assume that the 9% increase in 2010 is the beginning of the 2020 Facilities Plan?

Alderman Harenda: Yes, I guess. They are looking at doing things differently, but it might change.

Mr. Johnson: With the new rules that they are changing, it is hard to ask someone what we are going to be doing because the regulations are just starting. They don't know what it will involve checking for the PCV's and trying to get waivers for different projects that we are doing with the I & I projects. They have been giving us a waiver on some of the stuff, but we don't know how much they will do in the future, because we have a record of cleaning our service. That is what it is basically based on. They haven't said that even though you have cleaned it, we want you to do the testing. It is a project by project scenario that you will have to be approval for.

Mr. Morrissey: Do we have any industry in the city that would be generating PCV waste?

Mr. Johnson: It doesn't have anything to do with the industry, it is looking at the overall view of your system and how you maintain it. They are looking through the whole system. When we do an I & I project we have to get approval before we can start even cleaning it. It is a long process to go through it, but it is a mandate.

Motion by Alderman Ament to recommend to Council to approve the 2008 Wastewater Utility Operating Budget in the amount of \$9,567,744. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

Approval of Wastewater Utility 2008 CIP Budget

Mr. Johnson: There is no bypass of the Westridge Liftstation now and all of the other liftstations have bypasses so in the event that the liftstation goes down, the wastewater does not get backed up throughout the system. With the bypass we can hook in and pump it to a different force main so the liftstation does not flood. This one wasn't designed for it when it was built and is the only one that does not. It is a preventative measure.

Alderman Harenda: Do you know why it wasn't designed for a bypass?

Mr. Johnson: No.

Commissioner Morrissey: What year was this liftstation built?

Mr. Johnson: When the Westridge Industrial Park was put in, approximately 1997.

Alderman Harenda: Did we have any problems in the past with it backing up?

Mr. Johnson: No, it is a preventative measure. We put it in the specs for every new liftstation to have a bypass system. It is a safeguard and is relatively cheap to put in when it is first built, but now because of how the structure is and the stormwater and drainage ditches in the area of the liftstation we had to get special permits to get through to put in a couple of culverts and a roadway to get to it to put in the bypass. Most of the cost is trying to access the liftstation because it is basically in a Park and Ride on Moorland.

Commissioner Morrissey: Will this access be permanent?

Mr. Johnson: No, just a temporary access to put the bypass in, and then it will be put back the way it was. It is part of the Chapter 30 project and permit that we have to do.

Alderman Harenda: We are not borrowing any money for this, it is coming out of our working capital.

Motion by Commissioner Morrissey to recommend to Common Council to approve the 2008 Wastewater CIP Budget in the amount of \$105,000. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

UT 09-07 Approval of the 2008 Water Utility Operating Budget

Mr. Chipman: The Water Utility assumptions show what we assume. If we go with radium removal or with Milwaukee Water, it will make a lot of changes to the budget. The bottom line is the rates are OK to cover where we are at. Once we are farther along in the process as far as getting final numbers, we will definitely have to look at the rates at that time.

Commissioner Dude: If we go the radium removal route, the capital budget does not reflect that, but at this point in time we took the route of Milwaukee water. There is no rate increase for the whole year. It may be filed in 2008, but it will not take affect until 2009. You are not going to get an increase on the top side on your revenue based on any rate increases. Operating Revenues will be up approximately 1.2% over 2007 for increases in volume, although we will pay more for Milwaukee Water. Depreciation went down, but we still see an increase in purchased water of 36.8%. Some of it is that the City of Milwaukee had a rate increase and some is increased volume. This budget is absorbing the increase from the City

of Milwaukee and not passing it along to consumers at this time. After you drop that out, the net operating expense is a 3.6% on the budget. There is an increase of 15% in health insurance. The position of Director has been eliminated. By paying off of the old water bonds and borrowing from the Sewer Utility, we picked up money on interest on debt because we are refinancing it ourselves and our interest income is up a little. Long story short, despite the increase of purchased water, the Water Utility is making money, based on the assumptions we have made.

Alderman Ament: Health insurance was increased 15%. Are we safe with that?

Mr. Chipman: I believe the actual is very close to that. If you see the difference between the Water and Wastewater, some people have switched from Family to Single and we have had some vacancies, so that is why the percents don't add up the exactly 15%.

Alderman Harenda: You showed a change in net assets of \$442,632 going into next year. I assume that a lot of this stuff will be eaten up when we go one direction or another with Milwaukee Water. When will we be going for a rate increase, the middle of the year next year?

Mr. Chipman: That will depend on how soon we have made a decision. When we ask for the rate increase we will need a good idea of what numbers we are projecting. Once the decisions are made, we have to prepare the rate case and go to the PSC. You are probably talking about a 3 month timeframe.

Commissioner Dude: If you are going to go ahead with the conservation issues for the residential customers, and talking about making rates more favorable for people not using more water, but for those conserving water, I think you have a certain amount of PR to do and a certain amount of hearings to explain what the structures were about. There are a lot of issues out there and we will have to spend some time on it.

Commissioner Morrissey: Even with the best scenario, it looks like we wouldn't have a rate increase until late next year or in 2009.

Mr. Chipman: That is what we are assuming and we did a budget on that. The decisions will take a fair amount of time.

Commissioner Morrissey: The additional \$1.1 million for the Milwaukee Water capital items I assume would be for infrastructure upgrades for our pumping plants to get Milwaukee water?

Mr. Johnson: Yes, for water mains and bigger pumps.

Mr. Chipman: On page 33 is a breakdown of what we are talking about. These numbers come from Ruckert and Mielke. These numbers may change, but this is what we are projecting right now.

Mr. Morrissey: Time charged to stormwater, is that for Digger's Hotline flagging?

Mr. Johnson: Yes.

Motion by Commissioner Morrissey to recommend to Council to approve the 2008 Water Utility Operating Budget in the amount of \$4,575,629. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

Approval of Water Utility 2008 CIP Budget

Mr. Johnson explained the Water CIP Budget.

- Water meters are the standard for the requirements from PSC for changing out.
- Abandonment of Wells 1 and 11. Those wells are not in service. The DNR sets the regulation that you cannot have inactive wells for more than 5 years without abandoning them and it is up to our time to do it. The cost is approximately \$30,000 each to abandon the wells. The buildings will have to be torn down too and that will be in next year's budget. That is a rough estimate.

- Stake bed truck is 10 years old and is costing us more to keep it running and we use it for all of the water main breaks, haul the safety trailer, and every day on valve boxes repairs. It is past the 7 year City policy.

Alderman Ament: What year is it? I realize they are tough miles.

Mr. Johnson: 10 years old.

Jim Hart: It has about 65,000 and it is tough miles and is going on its 3rd transmission.

Mr. Johnson: The rest of the CIP is basically on the assumption of the radium removal or Milwaukee water with the SCADA upgrades. We don't know which way to go, but these are estimates from R & M to upgrade the SCADA systems.

Mr. Morrissey: SCADA is software for the pumping system?

Mr. Johnson: Basically it is a computer upgrade to operate all of the units, but with the radium it would have to make changes at 3 places, but going with Milwaukee water we will have to upgrade all of the units. The other money is for the pumps and the drives if we go with Milwaukee Water.

Alderman Harena: This is for future Milwaukee water right?

Mr. Johnson: Yes, if we got it on the west side of the Utility service area.

Alderman Harena: Thanked Commissioner Dude, Ralph, Rick and Jim for all of the work on the budgets.

Motion by Commissioner Dude to recommend to Council to approve the 2008 Water CIP budget \$1,447,545. Seconded by Alderman Ament and upon voting the motion passed unanimously.

Alderman Ament: It is nice to have competent people doing our grunt work on the budget.

Commissioner Morrissey: Yes, thank you Bob for donating your time.

UT 11-07 Review of Contracts for Cell Tower Users on Tower #1 (Calhoun Road)

Mr. Chipman: I apologize for the delay on getting you this information, but I was brought in late on this issue. Mr. Dude asked me for the actual contract and the important thing is the term of the lease and the timing of it. After talking to the City Attorney, they are in the middle of the first 5 year extension, and there are no extenuating circumstances that would make us have to stop it right now. Mr. Dude also asked for a comparison of the other cell towers, and Mr. Chipman explained the history of the amounts.

Commissioner Dude: There is no reason that we should renegotiate. If you cave on this one, the same consultant will represent the other ones.

Mayor Chiovaturo explained the conversation he had with the representative and said he felt he needed to bring this forward to the Committee to make a decision. After a brief discussion the Committee members agreed not to revise the contract since the offers were decreasing the amounts.

Motion by Alderman Ament to reject their generous offer. Seconded by Commissioner Morrissey and upon voting the motion passed unanimously.

Motion by Alderman Seidl to adjourn at 6:58 p.m. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

Privilege of the Floor – There was no one in the audience

*Please Note: Minutes are not official until approved by the Committee
Respectfully submitted, Suzette Hanley - Office Coordinator, Utilities & Streets*