

MINUTES
City of New Berlin
Utility Committee Meeting
Tuesday July 25, 2006

Members Present: Alderman Gallagher, Alderman Harenda, Alderman Ament, Commissioner Jim Morrisey and Commissioner Bob Dude

Others Present: Rick Johnson (Utility Manager), Jim Hart (Utility Supervisor) City Attorney Mark Blum, JP Walker (City Engineer), Steve Schultz (Ruekert & Mielke) and Sue Hanley (Office Coordinator Utilities & Streets)

Chairman Gallagher called the meeting to order at 5:00 p.m. declaring a quorum with all members present.

ITEM UT H-06 Approval of minutes from June 25th meeting

Motion by Alderman Harenda to approve minutes from the June 25th meeting. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

ITEM UT 11-06 Update on School District sharing of costs of construction for Regal Manor Liftstation

Alderman Gallagher said that the packet included correspondence from Attorney Blum to Ruekert and Mielke asking for a letter from an authorized representative of the School District to agree that their share of the cost for this project is 34%. Ruekert & Mielke in response emailed Mr. Goedheer of the School District, but we have not received a response.

Alderman Harenda asked if this has held up construction. Jim Hart, Utility Supervisor said that construction has started.

Commissioner Dude asked what happens if they don't agree to pay for their share of the cost of the upgrade to Regal Manor Lift Station. Alderman Gallagher said that the City has to have the school, and if need be, we will have to pay for it. Commissioner Morrisey agreed.

ITEM UT 08-06 Update on Design of Proposed Treatment for Radium Compliance

Steve Schultz from Ruekert & Mielke said that they are proceeding with the 3 designs for the HMO and that Wells # 3 & 7, which are the largest at 1000 gpm are on the fast track. Mr. Schultz said the designs for these 2 wells should be to the DNR by August 15th. He said that then the DNR has 90 days to complete their review, but his hope was that because they know our situation, they will reduce that time. Mr. Schultz continued that after the DNR approves the designs, the project can be bit out. He said that about 30-45 days after the designs for Wells 3 & 7 are completed, the design for Well 5 will be sent to the DNR and after approval, this project will be bid out separately. Mr. Schultz said that the schedule for completion is about 150 days after the contract is awarded and with that timeframe in mind, Wells # 3 & 7 would be completed about mid April, and Well 5 about 30-45 days later. He added that the City of New Berlin won't meet the Radium Consent order deadline of December 8, 2006, but that many communities are in the same boat, and he was still optimistic that we can negotiate with Milwaukee Water and the DNR to get the diversion issue resolved. He said that in the meantime they are preparing a response to the DNR regarding compliance timeframes.

Mr. Schultz discussed the July 19th letter from his office to Mayor Chiovatero which informed him that a backwash tank was included in the design of the Well 7 treatment facility, and of their recommendation of a backwash tank for Well 3, based on their letter from MMSD, the design capacity and the backwash rate. He said that the main reason for this recommendation is MMSD's restriction on backwash waste being discharged to the sewer in a rainfall event, and with the tank, the backwash can remain in the tank until discharge to the sewer is allowed.

Alderman Harenda asked what the drop dead date is for the Utility to have to spend significant funds for equipment. Mr. Schultz answered at the time of bidding, mid-late September. He said that the equipment quote from Tonka is good until then. Commissioner Dude said that based on the Attorney's letter to Mayor Chiovatero, there is a 20-25% restocking fee once we order and he asked what this amount would be. Steve Schultz said the equipment cost is approximately 30-35% of the total project cost, or about \$958,000, so 20-25% of that figure. Commissioner Dude said that he would like to see the problems with the contract sorted out before we are on the hook for a quarter of a million dollars and asked the Attorney when he thought those issues that were presented would be sorted out. City Attorney Mark Blum said that it depends on how difficult the issues are to resolve as some are issues of clarification and others content, but that he is not in a position to say anything at this time.

Commissioner Morrissey said that we can't wait too long because we need to show the DNR we are moving forward. He asked Mr. Schultz how long it would take to design and switch gears to Milwaukee water if for some reason the request for diversion is granted. Mr. Schultz said that it would be a relatively short amount of time since the previous design was made to allow for this possibility and mains were already sized for that. He said pumps would have to be replaced with larger ones and some valves would have to be opened.

Item UT 12-06 Ordinance to Amend Section 193-7 Building Sewer Connections

Commissioner Morrissey had a question on Section 1, paragraph 2, and asked who makes the determination of when structure is structurally unsound and/or uninhabitable. Attorney Blum said that the City Building Inspector would do this. Alderman Gallagher asked if there were any situations of this happening recently. Jim Hart said that there was a house on Church Drive, one on 164th Street, and also one on 124th. Alderman Gallagher asked if capping off the sewer was expensive. Mr. Hart replied it was not expensive.

Motion by Commissioner Morrissey to recommend to Council to approve Ordinance 2325 to amend the Municipal Code section 193-7 concerning building sewer connections. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

Item UT 13-06 Request for Reconsideration of 4511 Moorland Rd Utilities Special Assessment

Requested action: Discuss and consider the issues associated with the property owner's decision to install a privately owned sanitary treatment system on the subject property and recommend to the Common Council that the City provide a deferment or credit in amount equal to the Direct Benefit Assessment for the sanitary sewer main (\$9,446.03) and the sanitary lateral (\$2,989.00) that were levied against the property by Resolution Number 05-36 as part of the Special Assessment for Utilities installed on Moorland Road. The total deferment or credit would be \$12,545.03. The Committee is also requested to discuss whether or not a policy needs to be established that provides criteria for determining these types of deferments or credits in the future.

Mr. Walker said the Notice of Special Assessment is from November 14, 2005 and is for sewer only. Commissioner Dude asked if the lateral was installed yet. Jim Hart said the laterals have been installed. Rick Johnson added that the sewer line was not hooked up to the house.

JP Walker said the property owner had asked the City several years ago if there was a plan to bring a sewer connection down Moorland Road and at that time someone had told him no, just water. The property owner contacted the DNR to obtain a permit to put in a mound system, which took approximately 2 years, then installed the mound system.

Stacy Barker, who lives at 4511 So. Moorland Road said that his mound system was installed in December 2003 and that he didn't believe he would have put one in if he knew sewer was going to be available. Alderman Ament recalled Utility Item UT 03-03 for a public information meeting on bringing Sewer down Moorland Road and remembered Mr. Barker saying that his septic system was failing at that time. Alderman Gallagher recalled that the City said at fist we were just bringing in water, but sewer was added to the project later.

Commissioner Dude said that this may set a precedent, so the Committee had to be cautious in their decision. Attorney Blum stated that the property owner would have to consent to the resolution and that the commission could set up a policy for when you do or don't defer assessments; for example if someone put in a septic system within an "X" number of years of a project going through.

Motion by Alderman Gallagher to approve to defer the Direct Benefit sewer assessment until the time the property owner hooks up to Sanitary sewer. Seconded by Commissioner Dude.

Mr. Barker stated that he has a contractor ready to hook up to the City's sanitary sewer in 2-3 weeks. Alderman Gallagher then retracted his motion and said that he didn't know Mr. Barker was ready to hook up already. JP Walker said that he was unaware of this also.

Commissioner Morrissey suggested that this item be tabled until the Committee received a timeline of when Mr. Barker contacted the City about his failing septic system and when the public hearings took place.

JP Walker said that Mr. Barker had originally requested a credit not a deferment. Alderman Ament asked if he was asking to be reimbursed for the cost of the mound system or for the sewer special assessment. JP said that he is requesting the assessment amount and said that the mound system was capable of serving only 1 building even if the property is subdivided in the future. Mr. Walker said that the direct benefit assessment is what applies.

Alderman Ament said the question is if the mound system was in before the City decided to install sewer on Moorland Road and also if the public hearing was held and the property owner was notified before or after he installed the system.

Motion by Commissioner Morrissey to table UT 13-06. Seconded by Commissioner Dude and upon voting the motion passed 4 to 0 with Alderman Ament voting no.

Item UT 14-06 Water Resource Utility Reimbursement for Utility Locating Services

Alderman Gallagher asked Jim Hart if this was just a fund transfer between Utilities. Jim Hart said that over the years, the Utility Department (Water and Sewer) performed the Digger's Hotline Locates for the Stormwater Utility and did not charge them.

Alderman Ament asked if this item has to be brought before the Water Resource Management Utility and do they have to approve it prior to going to Council? Mr. Hart answered that this issue had been discussed previously with WRM Supervisor Chuck Trevorow and WRM Engineer Eric Nitschke and they were aware of this. Mr. Hart continued that there are several new subdivisions on the west side of the City such as Roger's Glen and Poplar Creek where there are no water or sewer services, just stormwater utility and this requires the locaters to look at these areas. He stated the crews are on call 24/7 for emergency locates. Mr. Hart said that the Utility is looking to only bill the WRM for 1/3 of their annual costs, which include labor, vehicle expenses, and materials such as marking paint and flags.

Alderman Harenda said that he preferred that this item would have been presented to the WRM Committee first and that this was the first time he had seen the item. Mr. Hart said that this issue was discussed with former Utility & Streets Director Ray Grzys, Eric Nitschke and Chuck Trevorow.

Alderman Ament asked if this item would be brought to the WRM prior to going to the Committee. Alderman Harenda said that he is on the WRM Committee and that the WRM budget is much smaller than the Utility budget. Alderman Gallagher said that the wrong people are paying for this part of the locates and this fund transfer would correct this. Alderman Harenda requested that this item be placed on the WRM agenda at the next meeting.

Motion by Alderman Gallagher to recommend to Common Council to approve the reimbursement of \$20,000 per year from the Water Resource Management Utility to the Water Utility to cover the cost for labor, vehicle charges and materials for Digger's Hotline locate requests. Source of Funds: Transfer of

funds from Water Resource Management Utility account 70710710.59060 to Water Utility revenue account 91000000.46011. Seconded by Alderman Ament and upon voting the motion passed unanimously.

Commissioner Morrissey asked when the Stormwater Committee name changed to Water Resource Management and why. Alderman Harenda answered in January 2006 the name change was made to further educate the public that the Utility is not just about quantity, but also quality.

Item UT 15-06 PSC Purchased Water Adjustment Clause Application

Ralph Chipman discussed the PSC Purchased Water Adjustment Clause Application and the requested action was for the Water Utility to apply for a rate increase to cover the increased cost of Milwaukee Water. He said that on June 20, 2006 Milwaukee Water applied to the Public Service Commission to increase the rates they charge us. The PSC allows an automatic rate adjustment to offset the increase cost of wholesale water purchases. The new rates will be calculated by the PSC and will be adjusted to offset our increased costs of water only. If we assume we will spend the \$600,000 we have budgeted to purchase water in 2006 and Milwaukee is granted a 3.4% increase, we would be allowed to collect an additional \$20,400 annually (\$600,000 x 3.4%). This amount alone would normally not be enough to warrant a rate change, but requesting a change at this time accomplished two things: 1) keeps our rates current, and 2) allows us the flexibility to request this simplified change when Step II is implemented by Milwaukee Water. He said that when the projected costs and time frame for the radium project are known, a full rate case will likely be necessary. An option would be to wait until this time to adjust the rates.

Commissioner Dude asked when the 2nd phase will come down. Mr. Chipman said they are looking at January 2007. He further explained that if the Utility asks for the 3.4% increase now and 10% in January, this request can run directly through the PSC and there would be no public hearing. We get the 3.4% simplified and the 10% simplified within a 90 day time frame once Milwaukee receives the rate increase.

Commissioner Morrissey asked if the radium compliance expenses run \$3.5 to \$4 million, how much of an increase is the Utility looking at? Mr. Chipman answered that there are no figures yet, but we had planned on borrowing from the Sewer Utility, and if the pay back is over 20 years, the rates will be lower. He added that once we know how much money is required, we can set up a payback schedule.

Commissioner Dude asked what the cost to the average residential customer would be for the 3.4% then 10% increase. Mr. Chipman said that Milwaukee Water figured less than \$1 per quarter for residential for their customers, but it should be less for us since we don't get all of our water from Milwaukee.

Motion by Commissioner Dude to go for the Step increase allowed in the simplified method in the same percentage that the City of Milwaukee was granted by the PSC on June 30, 2006. Seconded by Commissioner Morrissey.

Alderman Ament said that in 90 days we should know about the radium compliance costs. Would we be better off waiting until we knew if we have to spend money on radium compliance or if we get Milwaukee water. Alderman Gallagher said that we probably won't know the real costs for radium until the middle of next year.

Upon voting the motion passed 4 to 1 with Alderman Ament voting no.

**Communication: 2005 Water and Sewer Audit Report
 Utility Revenues and Expenditures YTD
 Quarterly Capital Report**

Ralph Chipman said that the reports were just informational. He stated that the Utility had attained the highest level of assurance and that both the Water and Sewer Utilities are solid as of the end of 2005.

Commissioner Dude had a question on the Wastewater audit and asked if we are looking at long term revenues in the \$150,00 range for this year, or is this a 1-year shot based on the I & I costs and MMSD Capital charges. Mr. Chipman said that I & I costs are budgeted at \$1.1 to \$1.5 million each year, and in

some of the previous years we only spent \$150,000. Mr. Chipman said that the Utility did some catch up work in 2005 and spent a little more than budgeted, based on some of it being prior years money being carried forward. He said that if we continue with the same level of I & I expenses and the MMSD capitals stay the same or increase moderately, we will be at approximately the same level of operating income of \$150,000 this year. Mr. Chipman said that we have solid reserves and it is not an issue at this time, but if it continues we will have to look at that, but reminded the Committee that the I & I number is hard to put your finger on. Commissioner Dude asked what the Utility had spent YTD for 2006 on this. Mr. Chipman answered we have spent \$195,000 this year and budgeted \$1.2 million and that we control the spending depending on how much smoke testing and sewer manhole repair we decide to do. He said it can go up and down based on what we want to spend on I & I.

Commissioner Morrissey asked how much was spent over the years on I & I with smoke testing and manhole repairs. Alderman Gallagher said more than anybody else. Mr. Chipman said that we have budgeted \$1.5 million over the past few years. Rick Johnson said the Utility has spent a lot and has a long way to go with about 30% of the City completed. Mr. Johnson said a lot of the large projects such as Gatewood Subdivision will be finished this year.

Motion to adjourn by Alderman Harenda at 6:21 p.m. Seconded by Alderman Ament and upon voting the motion passed unanimously.

Respectfully submitted,

Suzette Hanley - Office Coordinator, Utilities & Streets