

MINUTES
City of New Berlin
Utility Committee Meeting
Tuesday June 23, 2009

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

Others Present: Rick Johnson (Utility Manager), Mayor Jack Chiovatero, City Attorney Mark Blum, Ralph Chipman (Accounting Manager), Dr. Paul Kreutzer (New Berlin School District) Steve Schultz (Ruekert & Mielke), Doug Nelson (Ruekert & Mielke), Brandon Foss (Crispell Snyder), and Sue Hanley (Administrative Supervisor Utilities & Streets)

Alderman Harenda called the meeting to order at 5:01p.m. with roll call and declared a quorum with all members present.

UT 17-09 Discussion and Possible Action on the 2009 & 2010 Utility budgets

Dude: One of the things we did not anticipate is that we would have such low interest rates so the amount we budgeted for the Sewer Utility for the year is \$525,000 which is less than what we had last year and in the past. We budgeted 2% and are receiving less than ½ percent interest from the state fund. We are at \$61,000 through the end of May, annualized the amount will be approximately \$148,000 which is \$377,000 down. We only control about 27% of the expenditures in the Sewer Utility. To make up the \$300,000 you have to look at Account 52030 Contracted service which is I & I, we budgeted 1 million and have expended \$585,729 which leaves \$414,270. That is the last pot of gold. The other accounts will be up and down, but you won't pick up a significant amount. There is no way unless you take it out of this account that you will show a number higher than zero. We have a current ratio of 73 in the sewer utility. We didn't want to raise the sewer this year because we were going to raise the water. We have not raised the sewer rates for 11-12 years.

Wysocki: We will be discussing an important project on I & I tonight and after recent storm events this weekend; we can see how important this is. This project will take \$250,000 plus, so we will still have approximately \$180,000 left in that account. Are there any other expenditure amounts in the budget for savings?

Johnson: We haven't looked at it in detail yet.

Wysocki: Are "Meter Expenditure" a program for planned replacement? YTD expenditures are \$66,500.

Chipman: No, on the sewer side it is a PSC required charge from the water utility. Sewer bills are based on your water usage and part of the cost of maintaining the meters are charged to Sewer.

Wysocki: We know that the utility budgets are very tight and conservative, so it will be difficult to find accounts that we can cut.

Johnson: Ralph and I will be looking at the budget and will report back to you at the next meeting.

Dude: In the Water Utility you have a similar problem, but we don't have as many investments. Annualized our \$200,000 interest income, this year is about \$55,000 annualized. Even though we are down, we have a probability of being positive. There are a lot of things still to be decided, like when will we bill for Milwaukee water, when it comes on line, will they raise their prices, etc. In the annual statement, if you look at the Water Utility Profit & Loss 2008, there is an item called "loss on disposal" \$470,097. There is a footnote it lists non operating expense of \$292,976 loss on capping of Well 11 and \$177,121 PSC adjustment for meter removals. We can expect more of these hits when we close more of our wells. It is done differently under GAP, Ralph would normally do it under PSC, but it kind of surprised me. As we close some of the wells particularly the newer ones where we haven't had a lot of depreciation, we will have book value that goes away and shows as an operating loss.

Chipman: The PSC has an unusual way to regulate depreciation and removal of assets. Typically when you have removal of an asset instead of showing a gain or a loss you show the asset minus depreciation = net book value and if you are disposing it, it would be a loss. PSC reports remove the original cost of the equipment along with the equal amount of accumulated depreciation which shows nothing as a gain or loss in the financial. This amount is so large, we had to show it differently under GAP Financial accounting. This is an unusual item and is a big amount because there was not a lot of depreciation because it had a short life. Some of the other wells the amount should not be as large because they are farther along in their expected useful life.

Harenda: Can you come up with amounts for what that will be when we close the wells?

Chipman: It won't be for a couple of years. In 2009 we removed the pumphouse from Well 11. We start closing the wells in 2011, which will show a loss. We will look at the timeline. It doesn't affect our cash flow but it does affect a loss.

Wysocki: This is a non-operating expense. How can we plan for this in view of the different expense reporting?

Chipman: The method most people are used to seeing is the GAP financial because when you just remove it the way the PSC does it, it doesn't stand out. Using the GAP way, it stands out better, is easier to understand and is a more widely accepted way of accounting.

Wysocki: Is there a reason the PSC doesn't use this way? Is there any way to communicate with them along with other communities that doing it the same old way is not necessarily the best way of doing it?

Chipman: They had this method from as far back as I remember. It is an accepted method but not used much. We have talked to them on that, but I think they have so much else on their plate with the conservation rates and other things, this is pushed to the back burner.

Dude: The next time we close something down we will make sure that we budget for it. In a normal course of business you don't abandon a big asset like that.

Harenda: Mr. Dude will be meeting with Ralph and Rick in discussing this and the 2010 budget.

Comm: Milwaukee Water Works: Water Rate Increase 3.8% from Milwaukee Water Works

Chipman: Carrie Lewis sent an email that they will be going to their Board of Public Works to get an automatic increase from the PSC without going through a full rate case. It has not hit us yet but these rate increases go quickly. Once that happens, we will come to the Committee and report it. They are also talking about going for a full rate increase but that will take some time to do a full rate case increase with the PSC. When we did our rate case we did not know about the increase and the PSC would not let us project what they would be increasing. Our rates don't cover it but we can petition the PSC to automatically increase our rates to cover the increase under the "purchased water adjustment clause" and we would not need a full rate case.

**Information 2008 Audit Report, May financial report, and 1st Quarter CIP report (Ralph Chipman)
2008 Utility Annual Report (Sue Hanley)**

Harenda: Information was handed out to track expenses and capital improvement project expenditures.

Chipman: The vendor reports are provided to the aldermen to approve the payables. Do we want these every month? Normally there are 2 payables each month. One set will have already been approved, but the other will be on the agenda that night.

Harenda: The aldermen already receive it, so you or Sue can email it to the citizen members. I talked to Ralph today to see how we want to track the capital expenditures and expenditures.

Chipman: This is the same format that we give the City quarterly. We can modify it the way you need it.

Wysocki: There was a time that the Utility Committee made recommendation to Council to approve the expenditures and I am looking that possibly in the future we might find a way for that to reoccur because there is a responsibility at the utility in terms of developing the budget to monitor the budget.

Harenda: Does that create a problem since there are 2 Council meetings a month and sometimes we cancel meetings. Does that create problems internally?

Chipman: Since you are only meeting once a month, it is a one month gap. I don't think we want to be sitting on our bills that long; otherwise we would only be sending bills out once a month. You may be approving the first 2 weeks payables that already have gone out, but the 2nd one would be current.

Wysocki: My reference is when the COW had a meeting the 1st Tuesday of the month and a Council meeting the 4th Tuesday of the month. I would like to see it happen in the future.

UT 13-09 Request to Install Sanitary Sewer and Water Main to 4986 Small Road

Walker: The city received letters from the property owners to extend sewer and water from Beloit Road to the southern property line at their own expense. Their intent is to subdivide their property into 3 lots served by municipal services. This has the potential of being another Howard Avenue issue. When sanitary sewer is installed, that kicks in the 1 year requirement for hook-up once the availability letter is received.

Harenda: A few years back I met with the residents there. The former Utility Director Ray Grzys was looking to extend water up through the entire stretch of Small Road because it is an island until itself and it was resoundingly shot down. If we extend to 4986 and it is subdivided to 3 lots, how many more lots would be required to hook up?

Walker: The northern portion on the west is vacant. There are 2 to the south of it and 1 to the north of this address and the one on the corner may already be connected on Beloit Road.

Harenda: I would like to meet with the residents. We are only going up to a certain point correct?

Walker: They are required to extend it to the furthest most property line.

Wysocki: Has this gone to the Planning Commission already? It requires approval there. I don't know how it fits into the development plan in that area and for us to make a decision here yes and it doesn't fit into the Plan commission's final analysis.

Walker: No it has not. They wanted to get an answer if they could do this before they go through the planning process. They want to be able to subdivide with municipal services and they are willing to do the design and construction themselves. They first approached us a year ago and at that time MMSD had a moratorium and would not approve any sewer extensions west of the subcontinental divide. Now that the issue has gone by the wayside, they are reapproaching the city.

Morrisey: The only way I could support it is all of the adjoining property owners that would be required to hook up would be in favor of it. If everyone agreed and understood the cost, I would support it.

Dude: I think we need to consider what the Master Plan says for this area, but I think we owe the people an answer one way or another, but I think we need to know what the City's plan says.

Harenda: We can leave this on the agenda and refer it to the Plan Commission and as the alderman of the district I can talk to the property owners.

Motion by Commissioner Dude to refer this item to the Plan Commission for their interpretation and feedback on this request. Seconded by Commissioner Morrisey and upon voting the motion passed unanimously.

UT 15-09 Award of Construction Contract for Sanitary Sewer Rehabilitation Deer Creek Interceptor

Johnson: This project is the final phase in the Industrial Park. The original engineering estimate was \$435,000. We took the bids out and it came out at \$266,296.

Morrisey: Did we have pumping in Buena Park during the last storm?

Johnson: Yes we did.

Morrisey: Would this help alleviate some of that or any problems we had last week?

Johnson: No. It will finish the rest of the Industrial Park that needs to be relined, manholes grouted, cleaned, and televised.

Harenda: Is this the entire balance that we set aside this year?

Dude: This is what I was referring to earlier about the sewer budget. This is your account not to show a negative number since this project is 61% of what he budgeted so you are giving a good savings.

Wysocki: I am not going to argue with Rick if it will alleviate situations like we had in the last storm but it has some contribution in alleviating I & I.

Johnson: It will help that area in the long run. We have to look at spots in Buena Park to determine our inflow and make some determinations.

Wysocki: This is a component of a larger plan for our Industrial Park and I appreciate Commissioner Dude's financial budget analysis and the substantial amount of money that would alleviate a shortfall, but in terms of cost savings and keep our projects on a timeline, I think we should go ahead with this. The price is right, it fits in with the Master Plan and contributes to keeping I & I out of the system.

Johnson: In the residential area it would not help, but in the industrial park area it would help because there is a 20" main in the sewer line there and there is a lot of deterioration in the pipe and inflow that is adding more infiltration.

Wysocki: We told MMSD in our 2020 facility plan that we are doing this. Commissioner Dude might be thinking we can delay this, but I think this ways more heavily to our facility planning as committed to MMSD and our work in the industrial park and I would support this requested action.

Harenda: It is hard to determine how much we are helping in terms of I & I, but the studies from R.A. Smith show in the monitoring that there are some positive gains that it is cutting inflow into the system.

Motion by Alderman Wysocki to recommend to Common Council to approve the award of Construction contract for Sanitary Sewer Interceptor re-lining, replacement, manhole grouting, testing and sealing for the Glendale and Overland Drive Project to the lowest responsive and responsible bidder, Visu-Sewer Clean & Seal Inc., in the amount of \$266,296.00 for a total project cost not to exceed \$292,925.60 Source of Funds: Wastewater Account 81001131.52030. Seconded by Commissioner Morrisey and upon voting the motion passed unanimously.

UT 16-09 Adopt Ordinance to Repeal & Recreate Section 267-3(C)(1) regarding Sewer Service Charges

Blum: The purpose of the ordinance is to modify the existing sewer ordinance to provide for 2 sections. There is one provision right now to assess the MMSD charges. It adds a subsection B to identify situations where we have a contract with another municipality such as Muskego and to provide that the charges that are incurred as a result of the contractual relationship would be passed along to those property owners. It also allows for an administration fee to be determined from time to time so that our actual cost of doing the billing is covered.

Wysocki: This is not retroactive going back correct?

Blum: This would be going forward.

Harenda: This will go to Common Council with our approval and there would be 3 readings. We don't have to go through a public hearing on this?

Blum: You do not need a public hearing. You would have to go through the 3 readings unless the Council decides to waive that.

Motion by Alderman Wysocki to recommend to Common Council the adoption of an ordinance to repeal and recreate Section 267-3(C) (1) regarding sewer service charges. Seconded by Commissioner Dude and upon voting the motion passed unanimously.

UT 14-09 Valley View Water Tower Lease Renewal – AT&T (Black Dot Wireless, LLC)

Commissioner Dude gave the Committee a detailed explanation as to why this offer is not acceptable.

Motion by Commissioner Dude to reject the Valley View Water Tower Lease Renewal agreement from AT &T (Black Dot Wireless, LLC) Seconded by Alderman Ament and upon voting the motion passed unanimously.

OLD BUSINESS

**UT 12-04 Milwaukee Water Expansion - Status of construction
- Requirements from the DNR**

Johnson: We are still waiting to receive the reducers for the Grange Avenue pumpstations but are scheduled to start Monday installing the pumps. Ahern has all of the other part for the backfilling of the reservoirs and we should be able to turn the water on July 6th. That is what we are shooting for.

Wysocki: That is for the entire water utility, with God's help and your work July 6th. Thank you.

Johnson: The SCADA part, the drives and the programming is basically ready to go. Milwaukee water would like to do it the day after since they are having a furlough on the 6th.

Ament: Will the letter be going to all customers?

Johnson: Just the people affected by it in the new area.

UT 05-07 Water Conservation Measures

Harenda: I will be meeting with staff and Commissioner Dude to bring a plan to you in the next 60 days.

UT 05-08 Westward Manor Lift Station Reconstruction- Recommend to Council the adoption of a Relocation order for the acquisition of property rights for a new sanitary sewer lift station at Geipel property (Tax key # 1167-999)

Discussion and possible action to approve award of a contract in a form acceptable to staff with Single Source, Inc. to appraise and then follow through with the land acquisition of the property for the relocated westward manor lift-station pursuant to Ch 32 of the Wisconsin Statutes

Harenda: This is probably the best alternative for the liftstation to reduce or eliminate the problems we have had over the years.

Johnson: We sandbagged and pumped around the liftstation over 20 hours during the last rain event to keep it from flooding and if we would have not done this the liftstation would have flooded out. That is the main purpose for moving this. The engineer from Crispell Snyder is here if you have any questions.

Harenda: That will come back to us since we have to start the acquisition process first.

Wysocki: Are we confident this new location will be at an elevation that won't create problems in the future?

Brandon Foss: The existing elevation where the liftstation is now is 836' and we will be moving it to 841' plus we will bring the finished floor elevation up where the equipment is. It roughly floods now at 3-3 ½ feet so it will be higher.

Wysocki: Are you comfortable that the new location Rick?

Johnson: Yes. It sits back far enough that it has never since the 100 year rainfalls have shown up, it has never flooded up to that level in that area.

Dude: What is the state of negotiations or are we talking eminent domain.

Blum: It will most likely be an eminent domain situation.

Harenda: I will refer you back to all of the email exchanges with the owner of the property. As we move forward, we are still open if we can still work out something great, but this is the direction we have to take.

Dude: Is the question holding it up, no you can't or is it a matter of money?

Blum: This is an issue that does not deal directly with money or location per se, although they have provided preliminary plans and have said they would like to use the area as an access road; however there was nothing that has been submitted or approved by the City to allow for access through the particular location. There is also an issue with this property dealing with sewer service.

Dude: My feeling is that we need the liftstation and we don't want to put our employees in peril and we don't want sewer backups. Saying that however, it would be nice to not have to spend legal dollars and all of this if we could come up with a compromise price. If we say we are going to get the property, perhaps the owner would say perhaps I can do a little better.

Blum: The next action item would be to hire Single Source to do an appraisal and they would then contact the property owner with the appraisal and upon receiving approval from you would make an offer. There would be discussions to negotiate a number, but if that is not successful you still have the option of pursuing the acquisition rights under chapter 32. Negotiations are required before any action is taken.

Ament: Who owns the property where the liftstation is now?

Blum: Same owner. This is relocation on the same property.

Ament: We would abandon that eventually?

Foss: The existing wet well is going to stay where it is. The pumps that are there now are a dry well pump and will be modified to be a submersible pump in the existing wet well. That easement will remain. The wet well is going to be raised, but the controls, the emergency backup generator and the valving will be moved to the highest ground possible.

Motion by Alderman Wysocki to recommend to Common Council the adoption of a relocation order for the acquisition of the property rights for a new sanitary sewer liftstation at the Geipel property, tax key 1167-999. Seconded by Commissioner Morrisey and upon voting the motion passed unanimously.

Motion by Alderman Wysocki to recommend to Common Council to approve award of a contract in a form acceptable to staff with Single Source, Inc. to appraise and then follow through with the land acquisition of the property for the relocated westward manor lift-station pursuant to Ch 32 of the Wisconsin Statutes with a cost not to exceed \$3,500.00. Source of funds: Wastewater Utility Account # 80-173100 Seconded by Commissioner Morrisey and upon voting the motion passed unanimously.

UT 02-09 Request to Amend Inter-Municipal Agreement between New Berlin & Muskego to Increase Number of Sewer Connections in Linnie Lac Sanitary Sewer District (deferred)

Discussion and possible action to approve the payment of engineering and legal review fees of the City of Muskego related to the requested expansion of the properties served under the Linnie Lac Sewer Service area agreement with a not to exceed cost of \$5,000.00

Harenda: You received a copy of a letter from the City Attorney to the applicant so if they would like to proceed with potential sewer in those vacant parcels they will have to pick up the cost that the City of Muskego will charge the Utility.

Blum: I sent out a letter on June 3rd, providing the acknowledgement that we requested the property owner sign. They used an incorrect email address so I did not actual receive their response until June 18th and the response I made to that is the letter I received today. They would like to see the amount that they could be responsible for capped at \$5,000. My response in the letter was that whatever our actual costs were, that is what you would be responsible for. We could approve \$5,000 and Muskego asks for an additional amount so we don't want to have to go back to the property owner and renegotiate this deal. The other issue is that they are concerned about the indemnification responsibilities and the open ended nature of that. This is an extension for their benefit in the extent that we have liability that arises to the city as a result of that and we want to make sure the city is protected. I would be very reluctant to cap that as they are requesting. Those are the biggest issues although there are a number of others. This is an update, but it is an ongoing discussion. If the Committee feels differently than what I have outlined here, let me know so I can adjust my response here.

Harenda: We want to recoup our money that is what it comes down to.

UT 07-09 Discussion regarding the procedures used to authorize the payments of costs and fees for utility consultants and contractors

Harenda: Nothing new on this.

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 regarding negotiation strategy for a sanitary sewer easement and a developer's agreement for a private sewer main to serve New Berlin West H.S. and Section 19.85(1) (g) Conferring with legal counsel for the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved. More specifically:

Discussion regarding DNR enforcement of the radium consent order

Motion by Commissioner Morrisey to go into closed session at 6:01 p.m. Seconded by Alderman Wysocki. Roll call vote: Alderman Ament yes, Commissioner Dude yes, Alderman Wysocki yes, Commissioner Morrisey yes, Alderman Harenda yes.

Motion by Commissioner Morrisey to go into open session at 6:39 p.m. Seconded by Alderman Ament and upon voting the motion passed unanimously.

Reconvene to Open Session

Possible action and discussion on sanitary sewer easement and a developer's agreement for a private sewer main to serve New Berlin West High School.

Possible action and discussion on DNR enforcement of the radium consent order.

UT 01-09 Discussion and Possible Action to recommend to Council the adoption of a resolution approving the Sanitary Sewer Service Agreement with the NB School District for West HS as well as a permanent sanitary sewer easement with the NB School District for the West HS private sanitary sewer force main

Discussion and possible action to request that MMSD review a modification to the New Berlin sanitary sewer service area boundary to include New Berlin West H.S

Discussion and Possible action to recommend to Council the adoption of a resolution to amending the Urban Service Area Boundary

UT 11-09 Discussion and Possible action to make a recommendation to Council regarding the application of the New Berlin School District to amend the New Berlin Urban Sewer Service Area Boundary to include NB West HS

Harenda: We had discussion in closed session about UT 01-09 and UT 11-09. There are several items that we would like to work through. We asked the City Attorney to discuss it with their representatives. If everything falls into order I will be agendaizing a Special Utility Committee meeting at 5:00 p.m. to address this topic only.

Motion by Alderman Ament to adjourn at 6:40p.m. Seconded by Commissioner Morrisey and upon voting the motion passed unanimously.

Please Note: Minutes are not official until approved by the Committee

*Respectfully submitted,
Suzette Hanley – Administrative Supervisor, Utilities & Streets*