

GREEN BAY METROPOLITAN SEWERAGE DISTRICT
PROCEEDINGS OF THE COMMISSION

Regular meeting of the Commission held August 24, 2011.

PRESENT: Commissioners Alesch, Hasselblad, and Blumreich

EXCUSED: Commissioners Mainz and Carpenter

ALSO PRESENT: T. Sigmund, P. McCarthy, P. Kaster, P. Wescott, M. Diaz, M. Pierner, W. Angoli, J. Kennedy, J. Christ, B. Bartel, M. Erschnig, B. Vander Loop, L. Evenson, D. Cawley, J. Czypinski, J. Van Sistine, J. Nicks-Legal Counsel; J. Lenell-Clifton Gunderson LLP; B. Knoll-Fox River Fiber; D. Martin-Village of Ashwaubenon; C. Berndt-Village of Allouez; M. Heckenlaible-City of Green Bay

Commission President Alesch called the meeting to order at 8:30 a.m.

1) Approval of minutes of Commission meeting held July 27 and August 2, 2011.

Motion #11-048

It was moved by Hasselblad, seconded by Blumreich, and unanimously agreed to approve the July 27 and August 2, 2011 minutes as distributed.

2) July financials.

M. Diaz reported year to date operating revenues were 2% favorable to budget. She reported operating expenses for July were favorable to budget by \$152,000. Year to date operating expenses were \$1,300,000 favorable to budget due to chemicals, salaries and benefits, and solids waste disposal. Net income for the month was \$26,000 as a result of lower than planned operating expenses.

Commissioner Hasselblad asked if the 9.7% unfavorable operating revenues for July is a trend. M. Diaz replied no, that they are based on the prior year's monthly load information.

3) 2011 Compensation Study and 2012 recommendations.

Commissioner Alesch stated that GBMSD has a survey done every four years to compare itself to market for recruitment purposes.

J. Christ gave an overview of GBMSD's compensation program. She stated GBMSD maintains a point factor system and each pay range has an assigned minimum, midpoint, and maximum. The midpoint of each pay range is determined by a market survey and pay data.

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J. Christ stated based on the 2011 compensation study, staff is proposing no market adjustment for 2012.

Commissioner Alesch stated that employees will be paying an additional 5.8% of their salary toward retirement. He suggested staff have another market study done in two years and include benefits.

Commissioner Hasselblad stated that she is familiar with Towers Watson and asked if all four Towers Watson surveys included general industries. J. Christ replied yes.

J. Christ stated the Commission will be asked to approve the 2012 compensation plan recommendations at the September meeting.

4) Single audit report presentation by Clifton Gunderson LLP.

Jacob Lenell, Senior Manager from Clifton Gunderson LLP, presented the 2010 single audit results. He reported the capital grants from the Clean Water State Revolving Funds for the wastewater treatment facilities project were reviewed. He stated 100% of the federal funds were expended by GBMSD. He reported two findings of material weaknesses related to audit adjustments and restatement and capitalizing projects. He stated there were no compliance findings relative to the federal program.

P. Kaster stated 50% of the adjusted journal entries were brought forward by staff.

J. Lenell reported a significant deficiency in financial statement preparation. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. He stated significant deficiencies related to federal awards, journal entries, and grant draws have all been resolved.

Commissioner Hasselblad asked Mr. Lenell who receives the single audit report. J. Lenell replied the Wisconsin Department of Natural Resources (WDNR) and the Environmental Protection Agency (EPA).

5) Cost allocation methodology update.

P. Kaster reported GBMSD's cost allocation procedures were updated to include the De Pere Facility and remove Georgia-Pacific as a user. GBMSD contracted with CDM to update its cost allocation procedures incorporating all changes since 2007. He stated the new system re-establishes equity between all users of this system. The Commission received a copy of the final report, which will be implemented for 2012. He stated the

major changes are increased costs for flows and decreased costs for TKN and phosphorus.

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T. Sigmund stated that conveyance between the De Pere and Green Bay Facilities and the RAS/WAS Project were flow related. He stated the allocation has shifted to flow. He stated the new allocation procedure reflects current system operations including considerable automation, which has resulted in a reduction of costs to both TKN and phosphorus parameters. He stated the final report will be shared with Procter & Gamble and will also be placed on GBMSD's website for customers to see.

6) Sewer plan approval:

a) Village of Hobart ARFF; GBMSD Request 2011-15

M. Pierner reported the Village of Hobart is requesting approval of a sewer to serve a new Aircraft Rescue and Fire Fighting Facility (ARFF) located on Austin Straubel land. He stated the Village of Hobart has indicated it has adequate capacity and is also looking at 500 acres for future expansion. GBMSD staff has included funds in its 2012 budget to review the capacity needs of the Dutchman Creek Interceptor. The Village of Hobart currently leases unused capacity from GBMSD in the Dutchman Creek Interceptor and will be required to purchase permanent capacity allocation when the lease segments are upgraded. Staff recommends approval of the sewer plan.

Motion #11-049

It was moved by Blumreich, seconded by Hasselblad, and unanimously agreed to approve the Village of Hobart ARFF sewer plan subject to favorable approval recommendation from Brown County Planning and final approval by the Wisconsin Department of Natural Resources.

7) Update of projects:

a) Consolidation Projects – Treatment plants construction phase

W. Angoli reported the project is moving forward. He stated a court date has been set regarding the outstanding lien issue.

b) Raw Wastewater Pump Station Bar Screen Replacement

W. Angoli stated the work change directive should be completed and the project ready for close out in September.

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c) North Basin Complex Gate Replacement

W. Angoli reported that GBMSD is waiting for a response from the EPA regarding GBMSD's waiver application regarding the stainless steel checker plate to cover opening on north basin complex.

d) Electrical Generation Facility

W. Angoli stated that GBMSD is waiting for DNR review and approval of the contract modification for the Davis-Bacon payroll certification submittal. Staff anticipates close out of the project in September.

e) Sludge Loading and Chemical Addition System

GBMSD is waiting for a response from the EPA on the wall panel Buy American issue.

f) Solids Management Plan update

B. Bartel reported five alternatives are being considered for the Solids Management Plan. The Facilities Plan was submitted to the DNR in 2010. He stated several changes that GBMSD must consider include new loading data, Maximum Achievable Control Technology (MACT) standards, and redundant equipment. The costs for co-digestion and refinement of alternatives will be provided to the consultant for further analysis on future rate projections. He stated a customer working group meeting will be held in mid-September to discuss MACT standards related to Alternative 16, refinement of alternatives, co-digestion, and rate refinement.

8) Operation report:

a) Effluent quality for July

b) Air quality for July

P. Wescott reported both facilities were in full compliance with effluent quality limits for the month of July.

P. Wescott reported the Green Bay Facility had two instances of air permit deviations that were reported to the WDNR. He stated on July 5 a circuit breaker failed and it took 12 minutes to restore to normal operation. On July 22 operational issues caused the incinerator to go through a burnout for five minutes. Staff does not anticipate any compliance related issues from the two events.

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P. Wescott reported that on August 17 GBMSD discovered a mercury release. He stated a sink was removed in the solids building to be replaced by an eyewash station and mercury was identified. GBMSD contacted Veolia to clean up the mercury spill.

9) Executive Director's report:

a) September Commission meeting

The September Commission meeting will be held on September 28 beginning at 8:30 a.m. The second budget workshop will be held on October 5.

b) Recognition of 25 and 35 year service anniversaries

The following employees received recognition for service anniversaries at an employee luncheon on August 11: John Kennedy for 25 years of service and Bob Lamal, Craig Lawniczak, Gary Natzke, and Bob Nitka for 35 years of service. Congratulations.

Jeff Smudde received the Jack Day Award and Nate Qualls received the Peer Excellence Award.

c) GBMSD 2010 Annual Report

A copy of GBMSD's 2010 annual report was provided to the Commission and a copy is available on GBMSD's website.

10) Budget workshop.

T. Sigmund gave an overview of the proposed 2012 budget, as follows:

- 2011 priorities
- 2011 highlights
- 2012 priorities
- Flows and loads
- 2012 proposed expenses
- 2012 budget breakout
- Operations and Maintenance (O&M) costs per million gallons of treated wastewater
- 2012 O&M expenses
- Salaries and benefits as a percentage of O&M costs
- Proposed 2012 capital projects
- Proposed long-term capital projects

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- Outstanding debt
- Revenues year over year
- Municipal rate year over year
- Procter & Gamble rate year over year
- 2012 revenue sources
- 2012 user charge breakdown
- Estimated reserve status
- GBMSD rate history
- 2011 average annual residential sewer charges
- Average annual residential sewer charges – regional comparison
- 2012 budget summary

Commissioner Alesch stated no adjustments can be made to the budget at the December 14 meeting.

Commissioner Blumreich asked when GBMSD borrows money, what is the length of the debt? T. Sigmund replied 20 years.

Commissioner Blumreich stated that WPS anticipates a 8.8% electricity rate increase, which is roughly \$200,000 on the rate. T. Sigmund replied that GBMSD budgeted for a 3.5% increase in the proposed 2012 budget. He stated the increase will impact the rate by approximately \$150,000 - \$175,000.

Commissioner Blumreich asked if staff has discussed with R.W. Baird if it would be prudent to borrow money early for the Solids Management Plan. P. Kaster stated that staff has had preliminary discussions, but GBMSD must select the alternative first. Commissioner Blumreich stated that he is concerned that interest rates are going to go up when GBMSD needs to borrow money and would like to lock in an interest rate as soon as possible and to track the arbitrage.

Commissioner Blumreich asked if the salary for the new project manager will be capitalized in the engineering project. T. Sigmund replied staff has done that with other positions.

Commissioner Alesch asked if GBMSD would be hiring limited term employees (LTEs) during the Solids Management Plan project. T. Sigmund stated that he is not sure if GBMSD will hire LTEs or use a consultant.

Commissioner Alesch asked about staging the study and financing of the construction process. P. Kaster stated that staff will explore possibilities with R.W. Baird.

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Commissioner Blumreich asked if staff is considering a green roof for the upcoming roof project. T. Sigmund stated GBMSD's sustainability intern reviewed it and the sustainability team will take a look at it.

- 11) Convene in closed session under State Statute 19.85 (1) (g) for the purpose of conferring with legal counsel for the Commission who is rendering oral or written advice concerning strategy to be adopted by the Commission with respect to litigation in which it is or is likely to become involved:**
- a) DNR Letter of Noncompliance status**
 - b) Georgia-Pacific billing issues**
 - c) WRC Howard, Inc. condemnation award appeal**

Motion #11-050

It was moved by Blumreich, seconded by Hasselblad, and unanimously agreed to convene in closed session under State Statute 19.85 (1) (g) for the purpose of conferring with legal counsel for the Commission who is rendering oral or written advice concerning strategy to be adopted by the Commission with respect to litigation in which it is or is likely to become involved.

- 12) Reconvene in open session.**

Motion #11-051

It was moved by Blumreich, seconded by Hasselblad, and unanimously agreed to reconvene in open session.

There being no further business to come before the Commission, the meeting adjourned at 10:48 a.m.

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Secretary