

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

PROCEEDINGS OF THE COMMISSION

Regular meeting of the Commission held April 25, 2013.

PRESENT: Commissioners Hasselblad, Blumreich, Tumpach, and Hoffmann

EXCUSED: Commissioner Meinz

ALSO PRESENT: T. Sigmund, P. McCarthy, P. Kaster, P. Wescott, S. Thompson, M. Pierner, B. Angoli, M. Diaz, M. Erschnig, B. Bartel, J. Kennedy, J. Czepinski, M. Urbancic, T. Brown, T. Garrison, B. Vander Loop, M. Urbancic, J. Van Sistine, J. Nicks–Legal Counsel; C. Malesky, E. Johnson, & R. Giardina–Red Oak Consulting; C. Berndt–Village of Allouez; M. Heckenlaible–City of Green Bay; M. Deprey–Scott Sanitary District No. 1; J. Seidl–Village of Luxemburg; D. Martin–Village of Ashwaubenon; M. Holden–Bayshore Sanitary District; E. Rakers–City of De Pere; T. Every–Village of Suamico; R. Parins–Brown County Taxpayers Association; L. Hammen–Thilmany Papers; G. Farr–Village of Howard

Commission President Hasselblad called the meeting to order at 8:01 a.m.

1) Scott Thompson and Jenny Pagel received the State Superintendent Business Friends of Education Award.

B. Bartel stated on April 12 Scott Thompson and Jenny Pagel, on behalf of NEW Water, the brand of the Green Bay Metropolitan Sewerage District, received the Business Friends of Education Award for their involvement in the Youth Apprenticeship Program. He stated NEW Water was nominated by Lori Peacock from the Green Bay Area Public Schools.

S. Thompson stated NEW Water put itself out there and was recognized in an award ceremony in Madison. He stated NEW Water hired a student from Southwest High School as part of the Youth Apprenticeship Program, and plans to hire another student for the next school year. He stated the biggest benefit is the connection NEW Water has made with the community. He stated NEW Water also provides facility tours and school talks.

Commissioner Hasselblad stated this is an excellent award. Congratulations.

2) Red Oak presentation of rate methodology alternatives.

Commissioner Hasselblad stated NEW Water is working to establish a rate methodology that results in equitable, defensible rates, and revenue stability for this utility and debt payment in light of the upcoming R2E2 construction project. NEW Water has held a number of meetings, met with significant industrial users, had early working groups, and held public information meetings. The process included: listening sessions, gathering questions, addressing some of those questions, and hiring Red Oak Consulting. Red Oak Consulting brings in national standards and best practices in rate methodologies. NEW Water understands and is fully aware that no rate structure is a perfect one size fit all. NEW Water is a wholesale supplier of services in water resources and will continue to listen to and work with its municipal customers, direct customer, and all concerned businesses and industries.

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Commissioner Hasselblad stated May 29 is the decision date for the Commission on the new rate methodology. NEW Water will continue to keep those lines of communication open with all of its municipalities and customers up until the date when that decision is made. She stated you will have answers from NEW Water staff if you have ongoing questions. She introduced Carol Malesky from Red Oak Consulting.

C. Malesky introduced Rick Giardina and Erik Johnson from Red Oak Consulting. She reviewed the agenda for the rate methodology workshop.

R. Giardina explained the importance of rate and revenue stability and why to consider alternative methodologies.

C. Malesky reviewed the following:

- Rate Alternatives
 - A: Status Quo (Current Methodology)
 - B1: Fixed Monthly Charge with Uniform Rates, Equivalent Water Meters
 - B2: Fixed Monthly Charge with Uniform Rates, Flows and Loadings
 - B3: Fixed Monthly Charge with Uniform Rates, Select Industrial Customers – *B3 has been eliminated from consideration because it mirrors B2 and the additional costs*
- Number of Customers and Equivalent Meters
- Introducing a Fixed Charge Component: Example of Rate Revenue Requirements
- Unit Rates Matrix

E. Johnson reviewed the following:

- Unit Rates Comparison – Municipal
- Unit Rates Comparison – P&G
- Bill Impact Handout
- Why are the Impacts Varied Across Municipalities

Commissioner Hasselblad stated that staff has supplied the Commission with letters from a number of municipalities, including: Village of Ashwaubenon, Village of Allouez, Village of Howard, Village of Suamico, Ledgeview Sanitary District, and correspondence from Red Oak Consulting addressing some of the questions that were raised. She asked has NEW Water received any additional correspondence from these municipalities or representatives. P. Kaster replied as of this morning, no new information has been received.

C. Malesky summarized the alternatives: Status Quo, B1 Fixed Charge/Equivalent Meters, and B2 Fixed Charge/Flows & Loadings.

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Commissioner Tumpach stated when going to the debt market, rating agencies will look at fixed to variable. He asked what Red Oak Consulting expects the difference to be between the fixed versus variable. R. Giardina replied it is hard to give a specific number because of how the capital markets change. He stated there are a variety of factors that are looked at. Rating agencies make observations and draws investors' attention to certain factors. Revenue stability is prominent in the rating agency report. He suggested looking at rating agencies' reports to see the difference in interest rates from AAA to AA.

Commissioner Blumreich stated that Red Oak Consulting probably proposes a B1 or B2 alternative in the consulting work it does with other utilities. He asked if there is any trend in what your customers are adopting from B1 versus B2 standpoint. C. Malesky replied from the retail level studies that they have done, she would say the B1 approach is more common because they are retail agencies and they have that customer equivalent meter counts.

Commissioner Hasselblad stated NEW Water's customers now have the opportunity to ask questions and propose concerns to the Commission. She stated there will be no decision made this morning. She stated the consultants are present and will hear your questions and your concerns and they will work with NEW Water over the next four weeks as the Commission gets ready to make that decision on May 29.

J. Seidl from the Village of Luxemburg stated on the B1 scenario, Luxemburg would jump up 33, 34, and 35% about every year. He stated B2 shows a 9% increase, which is similar to the past. He stated Kewaunee County is losing the nuclear plant, Luxemburg has a landfill problem, and taxes are going up. He stated Pulaski would be looking at a 22 – 25% increase. He asked how we can address that. Thank you.

C. Berndt from the Village of Allouez stated that Allouez will be submitting a set of formal comments. He stated Allouez submitted a letter earlier on the revisions to the alternatives. He stated a group of municipalities will be meeting in the next few days to discuss and share information, talk about the questions people have, and look at some of the data. He stated the major question Allouez has in looking at the alternatives is which is the most fair and equitable alternative for all parties involved. He stated at this point Allouez is not in favor of the meter equivalent alternative, which would have a negative impact on municipal customers. Allouez does concur that the fixed charge for debt service needs to be done. Allouez charges the full cost of debt service as a fixed charge to all of its enterprise utilities. He stated it does not make sense to take the proposed fixed charge, convert it back to a variable charge but leave Allouez's fixed charge constant. Allouez would take the fixed charge and pass it directly to its customers, which Allouez feels is most equitable. Allouez may look at changing its billing process to identify GBMSD charges as a direct charge to its customers. Allouez does appreciate that GBMSD has been forthright in providing Allouez with all the information it can. He stated it is important that we all understand what we're getting into. Thank you.

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Commissioner Hasselblad asked when the meeting with the municipalities is taking place. C. Berndt replied next week Thursday. Commissioner Hasselblad asked if it is an open meeting. C. Berndt replied yes, it's the Public Works Directors group meeting. Commissioner Hasselblad asked if it would help to have someone from NEW Water present or would it hinder your discussion. C. Berndt replied the meeting is more of an internal discussion.

M. Heckenlaible from the City of Green Bay stated as of right now, the City of Green Bay would not necessarily be in support of a fixed charge. He stated Green Bay converts that fixed charge and passes it through as a flow charge in some cases to its residential customers and as a fixed user fee to its monitored industrial customers. He stated by taking that fixed fee or charge and allocating it in different fashions some of Green Bay's smaller to medium sized monitored industrial customers billings would increase 7 to 10 times what they are presently billed under status quo. He stated Green Bay's larger industrial monitored customers would see a reduction, so the smaller customers would be taking on the burden. He stated this will be discussed further with the Director of Public Works Association. He stated Green Bay would probably convert a fixed charge to a variable charge so that it fits back into Green Bay's system, but Green Bay would need to know what that percentage difference is or how that fixed fee is created.

M. Heckenlaible stated when looking at the 2014 estimated budget in the latest two scenarios compared to the March 29 scenario, the March 29 bottom line budget was about \$29,500,000. If Fox River Fiber pretreats that number decreases about \$2,600,000, and if Thilmany also pretreats that number basically stays the same, but obviously the rates go up. He questioned is that bottom line budget being held or is the actual pretreatment cost just that insignificant of a dollar value. He stated if Fox River Fiber and Thilmany are removing almost 8,000 lbs. of BOD, which is roughly 65% of the present BOD loadings, shouldn't that show up as a larger reduction on the operational side for the treatment cost than \$200,000 towards the bottom line budget. Thank you.

Commissioner Hasselblad stated your questions will be addressed. Thank you very much for the public comments. The Commission is certainly cognizant of the pressures every municipality is under. We, as customers of our own municipalities and our own businesses, are aware of the tremendous pressure on the revenue side today for the municipalities and also the push back of any additional taxes. The Commission approaches this with great caution and care and concern for its municipalities and wants to work together with you as partners moving forward. Thank you for your participation this morning. The Commission appreciates it and is looking forward to getting some of those questions answered in the meantime.

The Commission will not be going into closed session at this time, but will go into closed session at the end of the meeting.

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- 5) **Approval of minutes of Commission meeting held March 27, 2013.**

Motion #13-026

It was moved by Blumreich, seconded by Tumpach, and unanimously agreed to approve the March 27, 2013 minutes as distributed.

- 6) **March financials.**

M. Diaz reported total operating revenues for the month of March were slightly unfavorable to budget primarily due to all criteria except for the two staying constant, TKN and I&I. Year to date total operating revenues were favorable to budget by 2.3% because of the warmer weather, melting periods, and for septage revenue for special projects.

Commissioner Hasselblad stated that she appreciated the user fees revenues – comparison by parameters chart provided in the Commission packet.

- 7) **Adopt retirement resolution for Steve Albers.**

Commissioner Hasselblad read the retirement resolution. She asked staff to let Mr. Albers know that the Commission greatly appreciates his work at NEW Water, and he will be missed.

Motion #13-027

It was moved by Blumreich, seconded by Hoffmann, and unanimously agreed to adopt the retirement resolution for Steve Albers. (Resolution #13-005 is on file at the GBMSD offices)

- 8) **Request Commission approval to award the 2013 Planned Roof Replacement Projects to Northern Metal & Roofing Co., Inc.**

M. Erschnig stated there are three roofs to be replaced this year. He requested Commission approval to award the project to Northern Metal & Roofing Co., Inc. in the amount of \$585,480. He stated meter station 13, a pump station, and De Pere Facility roofs are in need of repair.

Motion #13-028

It was moved by Blumreich, seconded by Tumpach, and unanimously agreed to award the 2013 Planned Roof Replacement Projects to Northern Metal & Roofing Co., Inc. in the amount of \$557,600 and a 5% contingency under the authority of the Executive Director for a total project amount of \$585,480.

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- 9) **Request Commission approval of the addendum to the Red Oak Consulting services associated with the Rate Methodology Cost of Service Allocation Project agreement.**

P. Kaster stated that staff has requested Red Oak Consulting provide additional analysis, modifications to the alternatives, rate projections, extra meetings, and a rate methodology workshop with the Commission, which has resulted in additional costs. He stated that staff combined meetings and reduced the number of consultants present in an effort to reduce costs. The addendum would allow this process to continue and finish within the scope assuming a decision on a rate methodology is made on May 29. He requested Commission approval of the addendum in the amount of \$25,000 with a 10% contingency under the authority of the Executive Director.

Motion #13-029

It was moved by Hoffmann, seconded by Blumreich, and unanimously agreed to approve the addendum to the Red Oak Consulting services associated with the Rate Methodology Cost of Service Allocation Project agreement in the amount of \$25,000 and a 10% contingency under the authority of the Executive Director for a total addendum amount of \$27,500. The total agreement amount is \$187,550.

- 10) **Sewer plan approvals:**
a) **City of De Pere Project 13-02; GBMSD Request 2013-10**

The City of De Pere is requesting to relay some sewer on Lost Dauphin Road with no new service.

- b) **Village of Hobart Project 2320-13-01; GBMSD Request 2013-11**

The Village of Hobart is requesting to revise existing sewer and add an 8" sewer in the area of Hwy 29 and FF to serve residential and commercial development.

- c) **Village of Ashwaubenon Project 3950; GBMSD Request 2013-12**

The Village of Ashwaubenon is requesting to install sewer to serve 24 acres of residential development.

- d) **Village of Bellevue Project M-2500; GBMSD Request 2013-14**

The Village of Bellevue is requesting to install sewer to serve 8.5 acres of residential development.

M. Pierner stated Brown County Planning (BCP) has reviewed the plans, and staff and BCP recommend approval.

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Motion #13-030

It was moved by Blumreich, seconded by Tumpach, and unanimously agreed to approve the City of De Pere Project 13-02, Village of Hobart Project 2320-13-01, the Village of Ashwaubenon Project 3950, and the Village of Bellevue Project M-2500 sewer plans subject to final approval by the Wisconsin Department of Natural Resources.

11) **Update of projects:**

a) **Resource Recovery and Electrical Energy (R2E2)**

B. Angoli reported the value engineering (VE) will start next week for the R2E2 Project. On Monday, April 29, there will be a presentation by the designer to the VE team and on Friday, May 3, the VE team will present its alternatives to the designer and NEW Water staff.

b) **West Tower Drive Interceptor Relocation**

M. Pierner reported there is now flow in the new pipeline including completion of the highway crossing portion. He stated the contractors are gathering their costs for the highway crossing work and he anticipates having that information submitted within the next couple of weeks, which will then be reviewed for change order consideration.

12) **Operation report:**

a) **Effluent quality for March**

b) **Air quality for March**

P. Wescott reported both facilities were in full compliance with effluent and air quality limits for March.

13) **Executive Director's report:**

a) **May Commission meeting**

The May Commission meeting will be held May 29 beginning at 8:30 a.m.

b) **Clean Water Fund Legislation**

A vote is scheduled today at the Joint Finance Committee that will look at the Governor's budget proposal, which includes the Clean Water Fund Program. Staff met with members of the Joint Finance Committee, including Representatives Nygren and Klenke, asking for their support to increase the subsidy percentage. Currently the subsidy is 25% of market and NEW Water is asking to go to a 45% subsidy, which is where it was four years ago. Borrowing at 55% of market would have a very significant impact on NEW Water's borrowing costs in the future, specifically with the R2E2 Project.

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T. Sigmund met with legislators on the budget at the public hearing held at Lambeau Field, and he stated that it was pretty apparent the first request to put money back into the budget to cover the biennial was unlikely to happen. A proposal to increase the subsidy amount in percentage but keep the budget the way it is, is being supported by NEW Water, Milwaukee, municipal environmental governments, and a number of utilities.

c) Summary of meetings with U.S. Congress Delegates

T. Sigmund attended the NACWA Environmental Policy Forum meeting in Washington, DC. He met with staff from two senators and Representative Ribble to present the attributes of the R2E2 Project to consider that project for the water resources bill that is pending.

In the President's budget, he has proposed to reduce the amount of money from the federal government to the state revolving fund. NEW Water has asked the federal government to support the mandates for that. The President's budget has a proposal to reduce the ability for high income people to deduct municipal bonds. The bonds that are purchased by those people finance our projects for schools, hospitals, and NEW Water projects. Staff has conveyed this is an unintended consequence and will be much more costly to borrow.

T. Sigmund distributed the "Water Resources Utility of the Future" document from NACWA.

- 3) 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) Georgia-Pacific billing issues
 - b) Fox River Fiber Complaint with Public Service Commission

Motion #13-031

It was moved by Blumreich, seconded by Tumpach, 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.

- 4) Reconvene in open session.

Motion #13-032

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

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There being no further business to come before the Commission, the meeting adjourned at 9:53 a.m.

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Secretary