

(Approved)

**SPECIAL JOINT CITY COUNCIL AND
WATER AND SEWER UTILITY COMMISSION
MEETING
Minutes**

April 14, 2014

Brillion Community Center

5:30 PM

CALL TO ORDER:

Mayor Gary Deiter called the meeting to order at 5:30 PM.

ROLL CALL:

CITY COUNCIL:

Present were Mayor Gary Deiter, Alderpersons Robert Brick, Mel Edinger, Heather Gruett, Betty Nies, Wally Sonnabend, Larry Van Frachen, and Carrie Wenzel. Also present were City Administrator/Clerk-Treasurer Lori Gosz, Police Lieutenant Kirk Schend, City Librarian Chris Moede, Park & Rec Director Ann Marx, and Deputy Clerk/Treasurer Joy Buboltz.

WATER AND SEWER COMMISSION:

Present were Mayor Gary Deiter, Jeff Wittmann, Mary Jo Krueger, Wally Sonnabend, Joe Levash, Dave Schwahn, Leonard Kopidlansky, and Dan Mertens.

GUESTS:

Guests of the meeting were Jon Cameron from Ehlers & Associates, Inc., Amy Vaclavik from McMahon, Randy Much from MCO, Paul Much from MCO, Dave Maccoux and Amber Drewieske from Schenck.

APPROVAL OF THE AGENDA:

Mayor Deiter stated he would like to move agenda item #8 "Well #5 Project – Well Construction Contract Update" to after agenda item #4.

Motion – Edinger moved to approve the agenda as revised. Seconded by Van Frachen. Call vote taken. Motion carried unanimously.

2013 FINANCIAL AUDIT REVIEW – SCHENCK:

Dave Maccoux, Schenck, explained this financial review is for the year ending December 31, 2013. He stated the audit information comes from City Staff and they review the financial records.

Maccoux reviewed and explained the Financial Statement with those present. Maccoux stated Schenck did not find any "Non Compliance" issues during the audit. Also, the lack of segregation of duties is due to the limited number of employees and the size of the City operations. They recommend that the City Council and other Administration employees continue to monitor the transactions and the financial records of the City. He stated the audit went very well.

Maccoux reviewed and explained the Governmental Fund Balances with those present. He explained the City's "unassigned" general fund balance is only 19% of the 2014 budgeted expenditures. City Policy establishes a minimum fund balance of 25% of budgeted general fund appropriations.

Maccoux reviewed the Capital Improvements Capital Projects Fund, the revenue and expenditures in each TIF, and the Restricted Cash and Investments. Edinger questioned the negative fund balance in TIF #3. Maccoux explained that deficit is due to an additional payment of debt.

Edinger questioned the outstanding balance for the DOD Revolving Loan. Gosz explained there are three (3) outstanding loans to SDF Strapping for approximately \$100,000.

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Maccoux reviewed the Water Utility Operating Results. He explained the deficit in the Water Utility is due to the loss of revenue in the industry usage and due to the increase of costs in pumping equipment. For the year ending December 31, 2013 the Water Utility had a 1.89% rate of return compared to 7.28% the prior year.

Maccoux reviewed the Sewer Utility Operating Results. He explained the Sewer Utility incurred an operating loss of \$17,559 for 2013 compared to an operating loss of \$22,618 for 2012. The net cash flow available from operations increased approximately \$7,000 in the Sewer Utility.

Mayor Deiter asked Maccoux if there are any weaknesses that can be improved upon in the future. Maccoux stated for the size of the municipality and City Staff the procedures are good.

WELL #5 PROJECT – WELL CONSTRUCTION CONTRACT UPDATE:

Amy Vaclavik, McMahon, gave an update on the Well #5 Project. She explained that ten (10) days ago the well was drilled and the casing was installed. The well driller then started filling in the grout, which did not fill up as they thought so more grout was added. This past Monday it was noticed that the extra grout that was poured got into the screening and blocked off part of the screening in the well. Right now the water level, when the well is pumping, is at 101’.

Vaclavik informed those present that a meeting is scheduled for Wednesday, April 16th with Layne to discuss possible options for this well; i.e. moving the well to a different site.

Schwahn asked what went wrong. Vaclavik stated it is hard to say exactly what may have gone wrong. Mayor Deiter asked if the screen can be pulled out. Vaclavik stated no. Krueger asked if the DNR site representative expressed any concern with the additional grout that was being poured. Vaclavik explained that the DNR requires a continuous pour of grout. Vaclavik also stated that City Staff has been in contact with the City Attorney on this issue.

Wenzel asked what is hoped to be accomplished in the next few days. Vaclavik stated she will be in contact with the well driller to see if any progress has been made on the well.

Vaclavik advised that there are risks with the continuation of the transmission main construction and the construction of the pump house. A decision will need to be made on whether to salvage this well or start over and find a different location for Well #5.

Vaclavik stated she did contact the well driller and informed them that the cost of the extra time she has been spending on this project will be their responsibility.

Vaclavik also explained that during the test pumping of the well this past fall they were able to pump 550 gallons per minute at a pumping level of 60-80’. Before the grout was poured with the construction of the new well, a test pump was installed and the pumping of water was again at 550 gallons per minute at a pumping level of 60-80’. So that tells us the water level is at the same tract as last year.

Gosz explained that the City did sign a Notice of Award for two (2) contracts; water main transmission and the construction of a new pump house; but will put a hold on those contracts until meeting with Layne.

Gosz asked Jon Cameron, Ehlers, is the full \$2.1 million dollars that was borrowed for the Well #5 Project is included with the Water Rate Study. Cameron stated yes. Gosz stated with the bids for Well #5 coming in lower than expected, there is approximately \$300,000 left from the borrowing.

Vaclavik stated if the City decides to move the site of Well #5 they could declare an emergency and go with a different well driller.

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Mayor Deiter stated he does not feel comfortable with the condition of this well. Van Frachen stated he feels the City should start over with the construction of Well #5. Gruett stated she feels it is too risky to use the well in its present condition.

A meeting will be held with Layne on Wednesday, April 16th and from that meeting more information will be gathered and given to the City Council and the Utility Commission at a Special Joint Meeting to be held on Monday, April 21st.

**PRESENTATION OF INITIAL WATER RATE RESULTS – EHLERS:
5-YEAR CAPITAL FINANCIAL MANAGEMENT PLAN WORKSHIOP – EHLERS & ASSOCIATES,
INC.:**

Jon Cameron gave a recap of what was discussed at the last Workshop, which included the possibility of using TID dollars to help offset the water increase amount.

Cameron explained the factors that are affecting the 2014 Rate Case; which includes a 15% reduction of water for the Brillion Iron Works as part of their water conservation plan. He explained that they also looked at a short term borrowing for the 2014 and the 2015 Capital Improvement Projects instead of budgeting for those projects. Cameron stated the one (1) positive factor is that there is some debt that will be paid off very soon.

Cameron reviewed the proposed items to be included in the proposed short term borrowing; amount for the 2014 projects is \$84,868 and for 2015 the amount is \$156,000. The proposed short term borrowing amount would be approximately \$255,000. This borrowing would be set up as a General Obligation Note Anticipation Note for a better interest rate. However, this borrowing would count against the City's borrowing capacity. This loan would be set up for interest payments only until the year 2019 with a lump sum payment in the year 2020.

Cameron presented and explained the Cash Flow Analysis with TID assistance and without TID assistance. Without any TID assistance it is being proposed to increase the water rates by 57% in 2014, 20% in 2016, and a 75% water rate increase in 2018. Per the PSC, the maximum rate of return for water is 6.25%. With TID assistance they would not be a substantial decrease in the rate increase. The proposed water rate increase would be 51% in 2014, 20% in 2016, and 75% in 2018.

Cameron presented and explained a Customer Water Bill Comparison at the present and at proposed 2014 rates. The comparisons were with TID assistance and without TID assistance. He stated these figures are very preliminary.

Cameron also presented a comparison of the quarterly water bills, not including fire protection, of the surrounding communities. Right now the City of Brillion is lower than its neighboring communities. With the proposed water rate increase, the City of Brillion would be in the middle compared to its neighboring communities.

Edinger questioned the possibility of billing the utility bills monthly versus quarterly. Gosz stated that could be done, but there would be added costs with going from monthly to quarterly. Cameron stated this would be the time to ask the PSC to go to monthly billing versus quarterly billing.

Cameron stated he feels the Utility should still file for a water rate increase in 2014 even if they aren't sure on the status of the Well #5 Project. However, the City may have to file again in 2015.

Cameron presented and explained the Sewer Utility Analysis and projected Utility scenarios for future years. He explained there was a positive cash flow in 2013 and is projected to have a positive cash flow in 2014. He explained the net revenue detail available for debt service based on 2014 figures. The revenue bond debt service coverage ratio is required to be 110% or higher and the City is at a 338% ratio. So we are well above that limit

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which is great. The debt service coverage ratio with G.O. Debt should be at least 100% and the City's rate is also above that.

Cameron presented and explained the Sewer Utility Capital Improvement Program for the next five (5) years and the establishment of funds for the I & I Program for residents to tap into. Over time a sewer rate increase will be needed and presented those options to those present. He stated a 35% sewer rate increase would be needed, if the City/Utility would want to fund the I & I Program through user rates.

Cameron presented and explained Sewer Utility alternatives to consider with the I & I Program. He suggested borrowing the funds to set up the I & I Program. Gosz stated it is the intent of the City/Utility to use special assessments for the I & I Program. Cameron stated if the cost of the I & I Program is picked up by an alternative source a sewer rate of only 10% would be needed in 2015, 9% increase in 2016, and 3% increase a few years after that.

Edinger asked how the \$210,000 budgeted for the I & I Program would work. Gosz explained that with each year's project expense the contract would be paid by the City and costs would be assessed back to the property owner with interest. The revenue collected would then be used for the following year's project.

Cameron presented and explained the items to be discussed at the third Workshop.

Gosz asked Cameron if he could contact the PSC to see if the City could possibly amend their water rate increase application during the review process.

Wittmann asked if the City/Utility can ask a contractor for a larger bond amount than the amount of a construction project. Vaclavik stated the standard is the amount of the project.

CONSIDER APPROVAL FOR PROFESSIONAL SERVICES FOR FEASIBILITY ANALYSIS TO AMEND TAX INCREMENTAL DISTRICTS #2, #3, AND #4 – EHLERS & ASSOCIATES, INC. AND MCMAHON:

Edinger stated he feels the City should not use TID monies to offset a water rate increase. The increment from the TID's should be used for projects in that TID. It should be considered "a rainy day fund".

The consensus of the City Council was not to use TID money to help offset a water rate increase.

ADJOURNMENT:

Motion – Edinger moved to adjourn the meeting. Seconded by Nies. Call vote taken. Motion carried unanimously. The meeting was adjourned at 7:34 PM.

Gary Deiter, Mayor

Joy L. Buboltz, Deputy Clerk/Treasurer