

(Approved)

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

May 12, 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, Crystal Fflug, Betty Nies, Wally Sonnabend (arriving at 5:48 PM), Larry Van Frachen, and Carrie Wenzel. Also present were City Administrator/Clerk-Treasurer Lori Gosz, Police Lieutenant Kirk Schend, City Librarian Chris Moede, Fire Chief Rich Janke, Community Development Director Justin Linzmeier, and Deputy Clerk/Treasurer Joy Buboltz.

WATER AND SEWER COMMISSION:

Present were Mayor Gary Deiter, Mary Jo Krueger, Wally Sonnabend (arriving at 5:48 PM), Joe Levash, Dave Schwahn, Leonard Kopidlansky, and Dan Mertens.

GUESTS:

Guests of the meeting were Jon Cameron and Greg Johnson from Ehlers & Associates, Inc., Amy Vaclavik from McMahon, and Andy Pantzlaff from The Brillion News.

APPROVAL OF THE AGENDA:

Motion – Edinger moved to approve the agenda as printed and circulated. Seconded by Brick. Call vote taken. Motion carried unanimously.

WELL #5 PROJECT – WELL CONSTRUCTION CONTRACT UPDATE - MCMAHON:

Amy Vaclavik, McMahon, explained the Utility received the approval from the DNR for acidization. She will be advising Sam's Well Drilling that it is their responsibility to do what needs to be done to get Well #5 operating free from any defect. Sam's Well Drilling will also be notified that the Utility will not accept any change orders.

Vaclavik explained with the transmission main project, Jossart did bore under Spring Creek on Water Street and are near Well #3. Jossart informed her they are anticipating to be to the Well #5 site by mid-June.

Vaclavik reported she is working with City Administrator Gosz on the Safe Water Drinking Loan application. The application is due June 30th.

Edinger asked if the City/Utility received any indication from Sam's Well Drilling if Well #5 will be operational. He also asked if acidization is the last resort. Vaclavik stated once the acidization has been completed the well driller may attempt more rehab work. To date there hasn't been an extended period of time where that well has been pumped.

Vaclavik advised the City/Utility that the City did not sign for any additional costs.

Schwahn asked if all of the necessary easements have been obtained. Gosz stated yes.

2014 WATER RATE CASE UPDATE – EHLERS:

(Approved)

A. Impact of Payment in Lieu of Taxes (PILOT) on Water Rate Case:

Jon Cameron, Ehlers, explained that the one final item that needs to be discussed for the 2014 Water Rate Case is whether or not to proceed with the increase PILOT payment. Cameron explained how Payment in Lieu of Taxes is computed. He explained part of the need for the water rate increase is to fund the increase to the Utility's PILOT payment for the addition of the Well #5 Project assets. The calculated 2014 PILOT payment with the addition of the Well #5 Project is \$121,793. The 2014 PILOT payment without the addition of the Well #5 Project is \$88,382. The total water rate increase with the full \$121,793 PILOT payment for 2014 is 68%, and the total water rate increase for 2014 with the \$88,382 PILOT payment is 62%.

Cameron explained it is up to the municipality whether or not to increase the PILOT payment. The municipality can lower the PILOT payment by a resolution. By not increasing the PILOT payment, it could help lower the water rate increase.

Gosz asked if the City would decide not to increase the PILOT payment at this time, could the City raise the PILOT payment with any future water rate increase. Cameron stated yes.

Cameron explained how the PILOT was established in the State of Wisconsin.

Cameron explained that he would need to notify the PSC if the City decided to keep the 2014 PILOT payment as status quo.

5-YEAR CAPITAL FINANCIAL MANAGEMENT PLAN WORKSHIOP #3 – EHLERS & ASSOCIATES, INC.:

A. Utility Project Borrowing:

Greg Johnson, Ehlers, distributed the Pre-Sale Report for a \$245,000 General Obligation Promissory Note for various water projects. He explained that Ehlers will be contacting local financial institutions for a competitive bid for this loan amount. It is still being anticipated a 2 ½% interest rate with interest only payments on the loan until 2020 when there would be a lump sum payment. The City Council will award the sale of notes on June 9, 2014.

B. General Fund and Capital/Reserve Budgets:

Johnson explained this is a first draft and will be subject to modifications based on feedback received from this meeting. He stated Ehlers used a status quo budgets with their methodology. Johnson explained the summary of the methodology used for revenue and expenditures and stated he used conservative figures.

Johnson reviewed the City's existing General Obligation Debt and reviewed the levy impact of that existing debt. He stated that most of the debt amounts are being paid from the City's TID's and the Utility.

Johnson reviewed the status of TID #2. He stated that TID #2 is showing a modest increase and the increment from the TID is covering the debt payments. This TID could close in 2023.

Johnson reviewed the status of TID #3. He stated that TID #3 is also generating enough increment to cover its debt obligation. This TID is going well and could close in 2022.

Johnson reviewed the status of TID #4. He stated that the current increment being generated in TID #4 is not enough to cover its debt obligation. It is proposed that this TID will show a negative cash flow until 2020. He explained that the City could levy the tax in TID #4 to cover the shortfall. He explained the levy impact with this proposal.

Johnson presented and explained two (2) scenarios. The first scenario is to levy the shortfall from TID #4 and having no capital/reserve levy. With the levy project from this scenario the percent rate increase over the next

(Approved)

five (5) years is less than 3%. With this scenario, this would put pressure on the levy for other proposed projects.

Gosz reminded those members in attendance that there is not plan for growth in TID #4.

Johnson explained with the second scenario, it is being proposed to restructure TID #4 debt service and to include \$50,000 in capital levy each year. By restricting the TID #4 debt over the life of the TID, this TID would mature in 2030 instead of the year 2022. With this restructuring it would match its revenue stream. Also, it would support levy for capital project. The percent rate increase with this scenario is also less than 3%.

Johnson presented a 5 Year Street Improvement Plan for the City, which was compiled by City Staff. He explained with an updated TID #2 cash flow presented includes borrowing for some of the reconstruction of streets around that TID that are TID eligible expenses. This TID could support that expense.

Johnson explained the intent with this Workshop is to show the status of the current TID's and address the shortfall in TID #4, to look at street project around TID #2, and to look at the current Capital Budget.

Gosz asked Johnson if is it possible for increment from one TID to help offset the lack of increment in another TID. Johnson stated one TID can donate to another TID as long as the State Statute procedure is followed.

Gosz reminded the City/Utility members that the street projects that need to be done around TID #2 can be financed through the increment generated from TID #2. She also reminded those present that TID #3 development has not been completed yet.

Gosz asked that the Department Heads compile a 5 Year Capital Project List and to submit that list to her in the next few weeks.

Sonnabend asked how TID #4 fell into a negative increment. It was stated that it could be due to the value of property in that TID. Johnson stated the debt in TID #4 could be restructured to match the present situation in that TID. It was suggested to review the property value in TID #4. Gosz stated that a market revaluation may be considered in the next few years.

Edinger expressed concern of the future street projects that was presented. He stated that more City streets should be listed than what is shown. Gosz stated this list of projects may be changed based on the televising that is currently being done by the Utility.

Fhlug asked do we really want to borrow from one TID to another TID.

Discussion followed on the rates used for wages and health insurance. It was felt those amounts should be higher.

Gosz and Mayor Deiter commented that these workshops are a great tool for planning.

ADJOURNMENT:

Motion – Van Frachen moved to adjourn the meeting. Seconded by Sonnabend. Call vote taken. Motion carried unanimously. The meeting was adjourned at 6:32 PM.

Gary Deiter, Mayor

Joy L. Buboltz, Deputy Clerk/Treasurer