

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

PROCEEDINGS OF THE COMMISSION

Regular meeting of the Commission held November 22, 2010.

PRESENT: Commissioners Alesch, Hasselblad, Mainz (via telephone), Zabel, and Scheberle

ALSO PRESENT: T. Sigmund, D. Busch, P. Kaster, P. McCarthy, M. Diaz, W. Angoli, M. Pierner, J. Kennedy, J. Christ, B. Bartel, J. Czynski, B. Vander Loop, L. Evenson, J. Van Sistine, J. Nicks–Legal Counsel; W. Balke–Village of Bellevue; T. Flucke–Village of Allouez

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

1) **Budget hearing.**

Commission President Alesch stated this is a budget hearing. He stated staff will give a short presentation summarizing the 2011 proposed budget and reasons for the increase in the rate. The Commission will then ask any questions it may have followed by comments from persons in opposition or with questions about the budget. Next, comments from persons in support of the budget and then comments from persons neither for nor against the budget.

T. Sigmund stated staff put together the 2011 proposed budget and copies of the budget were distributed to GBMSD customers on October 26. He stated the proposed 2011 municipal combined rate is \$2.01 per 1,000 gallons. He stated municipal customers are billed on actual wastewater discharge, BOD, suspended solids, phosphorus, and nitrogen. He stated the proposed rate is 30¢ per 1,000 gallons more than the 2010 amended budget. He reported a meeting was held Thursday, November 18, 2010, with GBMSD customers on the proposed budget. He stated that prior to the meeting, staff received questions from its municipal customers regarding the proposed budget and staff addressed the questions at the meeting. He stated the main reasons for the increase in the rate from \$1.71 to \$2.01 are:

- Annual capital expenses and debt service increased from \$6,100,000 to \$9,900,000
- Transfer from reserves to offset expenses decreased from \$5,100,000 to \$4,400,000

Commissioner Mainz joined the meeting by conference call at 8:36 a.m.

T. Sigmund stated that about \$120,000 of capital or operation and maintenance costs equals a penny on the rate and the increase from 2010 to 2011 in annual capital expenses, debt service, and reduced transfer from reserves account for 26¢ of the 30¢ municipal rate increase.

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Commissioner Alesch stated GBMSD experienced about an \$800,000 loss in revenue in 2010 due to Georgia-Pacific ceasing discharge of its process wastewater for treatment by GBMSD. He stated GBMSD has used reserve transfers to offset expenses to lower the rate. He stated over the last 15 years GBMSD's rate has been very flat and actually dipped in 1999-2000, which did not keep GBMSD aligned with the rate of inflation.

T. Sigmund stated that by talking to GBMSD customers it has become apparent that staff needs to improve its communication with municipal and industrial customers. He stated that staff was asked by customers about how GBMSD accounts for depreciation. He stated we account for depreciation but we do not accumulate funds for replacement within the budget.

Commissioner Hasselblad stated it was a very good meeting with GBMSD customers and she was grateful to see how many people were in attendance. She emphasized during the meeting that even with the proposed rate increase, GBMSD's rates are highly competitive from a national perspective. She stated the questions were good and at the end of the day, we all had a much better understanding going forward on the budget.

T. Sigmund stated the outcome of the customer budget meeting was:

- GBMSD needs to be proactive with regular communication to its customers
- GBMSD needs to better understand the budget constraints of the municipalities
- GBMSD's future projects need to be communicated early to the municipalities

Commissioner Alesch stated GBMSD is trying to find ways to generate alternative revenue streams. The future Solids Management Plan has been designed to generate maximum energy recovery. Staff will also evaluate heat recovery from the effluent itself.

T. Sigmund stated that staff has identified four revisions to the 2011 proposed budget that staff will present to the Commission on December 14. He stated these changes would reduce the proposed rate by 2¢, as follows:

- Reduce the 2011 budget by \$150,000 and carry over the budgeted 2010 amount for Risk Based Asset Management
- Postpone two small projects for approximately \$40,000
- Reduce an error in the 2011 budget in the amount for the wellness program
- Transfer approximately \$1,004,000 from ICR reserve for the first phase of the Beaver Dam Creek Interceptor replacement

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Commissioner Alesch stated that historically staff has evaluated costs related to the operation of the entire facility. GBMSD reorganized in 2000 that led to a 25% reduction in staff positions. He stated the Commission's focus has always been protection of public health and the environment, while supporting economic development.

Commissioner Alesch asked for customer comments.

Tracy Flucke from the Village of Allouez (Allouez) presented the Commission with a letter providing comments on GBMSD's 2011 proposed budget. Allouez thanked staff and the Board for their time and assistance in answering questions at the meeting last week. The efforts of GBMSD staff were appreciated. She emphasized the major points of the letter concerning current tight municipal budgets and the need to minimize additional costs wherever possible. She stated Allouez feels GBMSD needs to maintain employee compensation comparable to other similar positions in the Green Bay area.

Commissioner Alesch stated that every four years GBMSD has a labor market survey done. He stated some jobs are compared to the Green Bay/De Pere market area and some jobs are compared at the regional and national levels. He stated the jobs are fit to the appropriate market.

T. Flucke stated the late notice of GBMSD's rate increase caused considerable budgeting problems for Allouez. She stated any lead time GBMSD can give Allouez is important. She suggested an early estimate of the budget in July and actual numbers in September.

T. Sigmund stated this year staff moved the budget process up one month, but will evaluate how to improve GBMSD's budgeting process to provide information earlier.

T. Flucke stated that Allouez feels it is very important that a representative from one of the user communities be placed on the GBMSD Commission.

Commissioner Alesch replied that the design of the Commission is meant to represent all customers within the service area.

William Balke from the Village of Bellevue (Bellevue) thanked the Commission for allowing him to speak today. He stated Bellevue has put its comments in letter form and presented the letter to the Commission. He stated Bellevue is in the same situation as Allouez with budget constraints. He stated GBMSD is asking for back to back double digit rate increases, which requires Bellevue to implement a sanitary utility rate increase of 34% to its customers for 2011. He stated Bellevue needs to understand the rate increases. He asked what the impact of the five year capital investment plan has on debt service.

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Commissioner Alesch stated that GBMSD's current philosophy of long term planning has resulted in obtaining the highest bond rating possible for a wastewater utility.

T. Sigmund acknowledged staff for the work they've done in putting together the information for the meeting last week.

Commissioner Alesch stated the Commission appreciates staff's efforts.

Commissioner Mainz stated the issue of communication will be addressed.

The hearing closed at 9:25 a.m. Written comments will be accepted within 14 days of the close of business today.

2) **Approval of minutes of Commission meetings held October 25 and November 4, 2010.**

Motion #10-113

It was moved by Hasselblad, seconded by Zabel, and unanimously agreed to approve the October 25 and November 4, 2010 minutes as distributed.

3) **October financials.**

M. Diaz reported total operating revenues for October were \$33,000 unfavorable to budget due to user fees municipal waste. The City of Green Bay was the main driver of the unfavorable results. Year to date operating revenues were \$109,000 unfavorable to budget due to lower than planned user fees. She reported October operating expenses were \$233,000 favorable to budget due to strategic initiatives, chemicals, and contracted services. She reported Exhibit A provides a projection of total strategic initiatives and contracted services through 2010. She stated year to date operating expenses were \$1,257,000 favorable to budget due to strategic initiatives, chemicals, and salaries. Net loss for October was \$102,000 as a result of non-operating expenses.

Commissioner Alesch asked about the use of hypochlorite.

J. Kennedy responded hypochlorite is used seasonally per WPDES permit for seasonal disinfection.

Commissioner Scheberle asked for clarification of the category "Others" under Contracted Services in Exhibit A. T. Sigmund replied "Others" include community outreach, custodial services, Bay/Fox river study, occupational health, recruitment, and environmental programs.

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4) Request Commission approval to award Consulting Project No. 10-622 Risk Based Asset Management and Implementation Plan to Malcolm Pirnie, Inc.

P. Kaster reported a request for proposals was sent to 14 consultants and five submitted proposals. Staff interviewed three consultants and recommends award of the Risk Based Asset Management and Implementation Plan to Malcolm Pirnie, Inc. He stated many of GBMSD's assets are beginning to reach the end of their useful life so it is imperative to perform condition and criticality assessments, reliability centered maintenance, life cycle cost analysis, and long term capital planning.

Commissioner Hasselblad stated due diligence is necessary to understand risk management to protect receiving waters and the health of our community. She stated this approach needs to be done and commended staff on their efforts.

Motion #10-114

It was moved by Hasselblad, seconded by Mainz, and unanimously agreed to award Consulting Project No. 10-622 Risk Based Asset Management and Implementation Plan to Malcolm Pirnie, Inc. in the amount of \$270,000 and a 10% contingency for a total amount of \$297,000.

5) Request Commission approval to award the Beaver Dam Creek Interceptor Relocation Project 10-502 to PTS Contractors, Inc.

M. Pierner requested Commission approval to award the contract to PTS Contractors, Inc. with a 10% contingency. He reported the engineer's estimate was \$6,700,000 and the bids came in just over \$4,000,000. He stated eight bids were received. He stated the contractors had additional soil work done to verify soil conditions prior to bidding. Staff is requesting a 10% contingency due to the findings of the initial soil borings. He reported the Wisconsin Department of Transportation (WDOT) will pay for 90% of the cost and GBMSD's share is 10%.

Commissioner Mainz stated GBMSD's standard practice is a 5% contingency. M. Pierner stated typically it is 5%, but due to the unknown soil conditions and past experience, staff feels 10% is appropriate.

6) Request Commission approval for Robert E. Lee & Associates, Inc. to provide engineering services during construction for the Beaver Dam Creek Interceptor Relocation Project 10-502.

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M. Pierner reported Robert E. Lee & Associates, Inc. would provide assistance in administering the contract and providing inspection.

Motion #10-115

It was moved by Scheberle, seconded by Hasselblad, and unanimously agreed to award the Beaver Dam Creek Interceptor Relocation Project 10-502 to PTS Contractors, Inc. in the amount of \$4,066,669.25 and a 10% contingency for a total amount of \$4,473,336.25 and approve Robert E. Lee & Associates, Inc. to provide engineering services during construction for the Beaver Dam Creek Interceptor Relocation Project 10-502 in the amount of \$593,100 and a 5% contingency for a total amount of \$622,755.

- 7) **Request Commission approval for Robert E. Lee & Associates, Inc. to provide preliminary design services for the West Tower Drive and Bayview Interceptor Relocation Project 10-621.**

M. Pierner reported portions of the West Tower Drive and Bayview Interceptors need to be relocated under Phase 2 of the WDOT State Highway 41 upgrades. He requested Commission approval for Robert E. Lee & Associates, Inc. to assist staff in providing information that may be requested by the WDOT regarding planned interceptor relocations.

Motion #10-116

It was moved by Hasselblad, seconded by Zabel, and unanimously agreed to approve Robert E. Lee & Associates, Inc. to provide preliminary design services for the West Tower Drive and Bayview Interceptor Relocation Project 10-621 in the amount of \$22,000 and a 10% contingency for a total amount of \$24,200.

- 8) **Update of projects:**
- a) **Consolidation Projects – Treatment plants construction phase**
 - b) **Ninth Street and Ashwaubenon Creek Interceptor Rehabilitation – Phase 2**
 - c) **Raw Wastewater Pump Station Bar Screen Replacement**
 - d) **North Basin Complex Gate Replacement**
 - e) **Pump Station Monitoring & Control Improvements**
 - f) **WAS Thickening M&C Improvements**
 - g) **Electrical Generation Facility**
 - h) **Sludge Loading and Chemical Addition System**

T. Sigmund provided an overview on GBMSD projects.

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9) Operation report:

a) Effluent quality for October

D. Busch reported both facilities were in full compliance with all effluent limits for October.

b) Air quality for October

D. Busch reported the Green Bay Facility was in compliance with air quality limits and guidelines with the exception of maintaining the 950° F secondary chamber temperature for one 8-hour period on October 5.

10) Executive Director's report:

a) December Commission meeting

The December meeting will be held on Tuesday, December 14, beginning at 8:30 a.m. The Commission will be asked to adopt the 2011 budget.

b) Special Commission meeting

Staff is working with the DNR to close on a general obligation note by the end of December for the generator project.

c) Professional services contracts

The Executive Director approved contracts for lean training and consultation and public relations services associated with the Solids Management Plan.

d) DNR Water Quality Trading Committee

The Executive Director attended meetings on October 27, November 19, and another meeting is scheduled for December 15 on water quality trading. The main issues are trade location, trade ratio, and base line.

The NACWA Winter Conference will focus on Understanding the New Paradigm for Wet Weather and Collection System Management and will be held February 1-4, 2011 in Ft. Lauderdale, FL.

Commissioner Alesch on behalf of the Commission wished staff a happy Thanksgiving.

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T. Mainz disconnected at 10:15 a.m.

- 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) **Court of Appeals Decision on Rockland appeal**
 - b) **Update on discussions with Neenah Menasha**

Motion #10-117

It was moved by Hasselblad, seconded by Zabel, 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 #10-118

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

There being no further business to come before the Commission, the meeting adjourned at 10:50 a.m.

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Secretary