

GREEN BAY METROPOLITAN SEWERAGE DISTRICT

PROCEEDINGS OF THE COMMISSION

Regular meeting of the Commission held November 28, 2012.

PRESENT: Commissioners Alesch, Hasselblad, Mainz, Blumreich, and Tumpach

ALSO PRESENT: T. Sigmund, P. McCarthy, P. Kaster, P. Wescott, M. Diaz, J. Kennedy, W. Oldenburg, J. Christ, T. Garrison, M. Pierner, W. Angoli, R. Brown, J. Czynski, M. Urbancic, B. Bartel, B. Vander Loop, M. Erschnig, J. Van Sistine, J. Nicks–Legal Counsel; C. Malesky–Red Oak Consulting; D. Blaszk–Element; S. Dettmann–Carlson Dettmann Consulting; M. Heckenlaible–City of Green Bay; S. VandenAvond and C. Berndt–Village of Allouez; M. Deprey–Town of Scott; J. Gregozeski–Village of Bellevue

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

Commissioner Alesch stated agenda item 8 will be moved before item 7.

1) **Budget hearing.**

T. Sigmund stated the Green Bay Metropolitan Sewerage District (GBMSD) received three comments, one of which was related to the budget. He stated a letter from the Village of Allouez was received regarding the budget. He received a comment from one of GBMSD's industrial customers regarding the future rate methodology. He also received an inquiry on the status of the reserves and staff provided that information.

Commissioner Alesch stated a number of years ago GBMSD had more money in reserves to help pay for things as they were built. GBMSD customers asked not to do that, so the reserves were reduced substantially by subsidizing the rate.

Commissioner Alesch asked if the Commission had any questions concerning the budget or of staff.

Commissioner Alesch opened the hearing to those who would like to speak on the budget either for or against it.

C. Berndt from the Village of Allouez stated in earlier budget presentations GBMSD had a \$12.00 monthly cost to the average residential customer and now it is about \$17.65 per month. He stated that cost is 75% of the volume charge that Allouez charges its customers or about 58% of the total charge. He stated there is a 3% increase in operations and maintenance (O&M) and the other 6% increase should be either a cost savings that is passed back to customers if GBMSD has reduced its operating costs or allocated to the debt service for R2E2. He asked how GBMSD is planning for further decreases in BOD loading.

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C. Berndt stated pay grade advancements or salary adjustments cannot be justified given the current market condition. He also stated the addition of staff cannot be justified at this time except for adaptive management. He stated Allouez would like to see an adaptive management plan with goals and objectives.

Commissioner Mainz asked if there have been any increases in salaries in Allouez. C. Berndt replied this past year there was a salary adjustment for all staff, which was the first time the professional staff got a salary increase in several years.

C. Berndt stated Allouez agrees that staff training is important but GBMSD's training program is more than what is needed. He stated GBMSD has been unable to use that budget fully in the past so why budget to that extent. He stated the same thing for conferences and meetings. He stated Allouez would like to spend some additional time with GBMSD to understand its programs, goals and objectives, and to do some advance work prior to next year's budget.

Commissioner Hasselblad stated the number GBMSD has for training is always conditional on the content that is being offered. She stated it is not a spend all and sometimes it simply is a timing factor.

Commissioner Alesch stated in the past GBMSD received about \$21,000,000 in stimulus money that reduced the total cost of projects in half. Periodically GBMSD hires a consultant to benchmark GBMSD with the best in the world because nobody treats or collects sewage better. GBMSD managed to cut 25% of its workforce and haven't replaced them. He stated GBMSD hires new staff at or below the median salary for the particular pay grade. He stated most municipalities around the state and the country have step progressions so GBMSD is not unique in this. He stated 93% of GBMSD positions require at least an Associate Degree or equivalent and training is critically important.

Commissioner Mainz asked Mr. Berndt about GBMSD's sewer charge being 58% of Allouez's total monthly sewer charge bill. C. Berndt replied it is about \$31 per month, which is a little more than half of its monthly bill.

Commissioner Alesch stated his bill from the City of Green Bay is about \$30 a month for wastewater and water. C. Berndt stated Green Bay is a much larger community so the cost per customer is lower.

Commissioner Alesch asked if there was anyone else who would like to speak.

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S. VandenAvond, President of the Village Board in Allouez, stated the Board is committed to partnering with GBMSD and educating itself on the issues that GBMSD faces. He stated that Allouez was surprised that GBMSD does not have a capital projects fund. He stated the Board is deeply concerned about the 9 – 10% increase for the next six years or more. He stated Allouez has given raises to its union employees because it is contractually obligated to do so, but non union employees have not received raises in about five years. He stated Allouez is proposing performance based raises. He stated that he is happy to see GBMSD is moving towards a performance based compensation system and that GBMSD addressed the longevity pay issue. Allouez does not believe it's responsible to give raises in this economic climate.

Commissioner Alesch stated GBMSD is leading the market in some of the positions and way behind the market in other positions. GBMSD has not given a market adjustment in two years.

S. VandenAvond stated Allouez respectfully asks the Commissioners to put their phone numbers on GBMSD's website because Allouez would look to GBMSD to provide the accurate information on why the rates are going up.

Commissioner Alesch stated GBMSD's operating costs have not gone up. He stated the rate increase is to pay for the R2E2 Project, which will keep GBMSD in compliance with new regulations. He stated the rate increase is also due to the decrease in loading.

Commissioner Mainz asked Mr. VandenAvond what the best way would be to provide Allouez with the additional information and input it requests. S. VandenAvond replied Mr. Sigmund has been attending Allouez Board meetings and it has been helpful.

Commissioner Hasselblad suggested GBMSD having meetings onsite so that all municipal officials, Board officials, and citizens would have access to those one-on-one meetings and the times could be staggered to accommodate schedules.

Commissioner Alesch asked if anyone else would like to speak.

M. Heckenlaible, Assistant City Engineer for the City of Green Bay, stated Green Bay received the budget on October 26 asking for comments back from the customer base. He stated for the most part Green Bay was ok with the budget. He stated the budget he received on Monday afternoon increased by \$285,000, increasing Green Bay's portion by \$18,000. He stated the whole municipal customer base was increased by \$277,000 and industry was lowered by \$3,000. He asked for clarification on which budget the Commission is acting on. He stated Green Bay cannot support the budget or budgets as presented.

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T. Sigmund stated around the October 28 meeting, GBMSD was contacted by one of its industries that its business was expected to be stronger next year so an adjustment was made to the budget. The overall rate increase remained at 9.2%, which allowed GBMSD to put more money into the R2E2.

M. Heckenlaible stated Green Bay does not get the Press-Gazette so he did not see the public notice.

Joe Nicks handed a copy of the budget affidavit of publication to Mr. Heckenlaible.

T. Sigmund stated the budget that was published was in compliance and is the budget that was provided in the Commission packet. He stated the October 26 budget was different primarily due to the additional loads GBMSD expects to get from an industry.

Commissioner Meinz asked what the requirement is for the change in the budget.

J. Nicks stated the requirement is the proposed budget must be published in advance of this meeting, which has been done. He stated this is the budget that is under consideration by the Commission subject to the comments at the public hearing. The Commission can adopt the budget as published or can make changes by a majority vote. An adopted budget can be amended if another public notice is given and approved by a 2/3 vote of the Commission.

Commissioner Alesch asked if there is anyone else that would like to speak. Hearing none, he declared the hearing closed at 9:30 a.m.

2) **Budget adoption.**

T. Sigmund stated the budget that was presented is an appropriate budget to keep GBMSD in compliance. He stated staff is asking for the Environmental Compliance Specialist so GBMSD can continue to do that work and allow the Environmental Programs Manager to focus on the watershed or adaptive management.

Commissioner Alesch stated the next strategic planning session should focus on how GBMSD can efficiently treat smaller loads.

Commissioner Hasselblad stated as she looks forward to that strategic planning session, the Commission has to find the top three or four risks to this utility and identify who owns those risks and what mitigation steps should be taken.

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Motion #12-074

It was moved by Hasselblad, seconded by Blumreich, to adopt the 2013 budget as published.

Motion #12-075

It was moved by Tumpach, seconded by Mainz, to amend the motion to unfund the Environmental Compliance Specialist and Environmental Programs Director, take out the step adjustments, freeze the training development and travel meeting line items to the projected 2012 level, and to find a way to offset the health and dental costs.

Commissioner Alesch called for discussion.

J. Nicks stated following Robert's rules, the motion to amend is what is on the floor.

Commissioner Mainz stated that his biggest concern is the budget is not based on dollars actually spent. He stated the Commission needs to control costs in the best way it can.

Commissioner Alesch asked if the Commission removes the step increases, is that a violation to GBMSD's personnel policy. T. Sigmund stated that it would not be in conformance with the approved personnel policy.

Commissioner Mainz stated if the motion passes the Commission would have to change the personnel policy.

Commissioner Hasselblad stated that she has served in industries where environmental compliance is absolutely key. She stated GBMSD has two receiving environments, and protection of air and water is paramount. The EPA has mandates that were put on hold that will be enacted in 2013 involving everything that is put into the air and water including the temperature of the receiving water. She stated GBMSD will be penny wise and pound foolish if it doesn't hire the Environmental Programs Director that it needs to go forward to address the emission of GBMSD and to protect its customers.

Commissioner Mainz stated a couple years ago GBMSD made reductions in staff that could take GBMSD into the future. He stated making some adjustments with the existing staff should adequately protect GBMSD's needs with the environment.

Commissioner Hasselblad stated that she doesn't think GBMSD has the staff depth right now to do that and she thinks the climate here has changed.

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T. Sigmund stated the two staffing positions will move GBMSD forward into adaptive management as opposed to spending \$220,000,000 for phosphorus at the two plants. GBMSD expects a new permit in the beginning of 2013. He stated the stakeholders will be looking at GBMSD to lead the effort in adaptive management.

Commissioner Blumreich stated that he appreciates Allouez's willingness to spend time to help GBMSD formulate what the real issues are on the budget. He agrees it would be penny wise and pound foolish not to fill those positions as proposed. He stated GBMSD has a commitment in its personnel policy to follow the step increases and it should be upheld. He stated there should be no difference between public and private employees in terms of level of benefits. It should be at market level. He stated these proposed changes should be worked on in the coming year so that employees know what may be impacting them from a fringe standpoint. He stated his expectation is that staff is trained at the highest level possible. He stated if the training budget is not spent this year, he will vote against increasing it or keeping it the same in subsequent years.

Commissioner Alesch stated he would like GBMSD benefits to be comparable to others. He stated adjustments should be made based on full information.

Commissioner Alesch stated there is a motion and second to amend the budget. Those in favor: Tumpach and Meinz; opposed: Blumreich, Hasselblad, and Alesch. Motion failed.

Commissioner Alesch stated the motion on the floor is to adopt the 2013 budget as published. Further discussion. Those in favor: Hasselblad, Blumreich, and Alesch; opposed: Meinz and Tumpach. Motion carried.

3) Approval of minutes of Commission meetings held October 17 and 24, 2012.

Motion #12-076

It was moved by Meinz, seconded by Hasselblad, and unanimously agreed to approve the October 17 and 24, 2012 minutes as distributed.

4) October financials.

M. Diaz reported total operating revenues for the month of October were slightly unfavorable to budget. Overall year to date operating revenues were unfavorable by (\$1,600,000).

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- 5) **Approve Resolution Authorizing the Issuance and Sale of up to \$3,146,593 General Obligation Sewerage System Promissory Notes, Series 2012A and Providing for Other Details and Covenants With Respect Thereto.**

M. Diaz requested Commission action to move forward with the closing of the Clean Water Fund Loan for the Northeast and Southeast Interceptor in De Pere. She stated the note would be at the subsidized rate of 2.625% for 20 years. She stated award of the project and approval of the construction phase services were approved by the Commission in May 2012.

Motion #12-077

It was moved by Mainz, seconded by Hasselblad, and unanimously agreed to approve Resolution Authorizing the Issuance and Sale of up to \$3,146,593 General Obligation Sewerage System Promissory Notes, Series 2012A and Providing for Other Details and Covenants With Respect Thereto. (Resolution #12-010 is on file at the GBMSD offices.)

- 6) **Request Commission approval to engage Public Financial Management, Inc. as GBMSD's financial advisor.**

P. Kaster stated GBMSD sent out a request for proposal in September for a separate finance advisor and bond procurement agent. He requested Commission approval to enter into a contractual agreement with Public Financial Management, Inc. (PFM) as the financial advisor.

Commissioner Mainz asked who PFM is. P. Kaster replied PFM is an organization that has worked closely with a number of entities including Brown County in its refinancing. GBMSD received proposals from Ehlers, Springsted, and PFM.

Commissioner Alesch asked if staff talked to former clients. P. Kaster replied yes, he personally conducted reference checks on all of the individuals listed in PFM's proposal.

Commissioner Alesch asked if PFM will look at how best to allocate the debt. P. Kaster replied yes. He stated a kickoff meeting is scheduled for December 12 to lay out all the information PFM will need to make some recommendations.

Commissioner Blumreich stated traditionally the financial advisor plays the role of both the financial advisor and the bond procurement agent. He asked if one financial advisor combining those two operations would do the work for what the fee typically is charged for the financial advisor. P. Kaster replied that he wants the financial advisor to be separate from the bond procurement agent because it could possibly be viewed as a conflict of interest.

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Commissioner Blumreich stated GBMSD is using the financial advisor in the traditional sense of advising GBMSD on what to look for, how to structure the bid, whether to make it competitive or negotiated. P. Kaster replied yes, and also utilization of cash and reserves, pay as you go process, or a combination thereof. He stated in the traditional sense the financial advisor will be advising GBMSD in financing specifically geared to R2E2.

Commissioner Alesch asked how this firm will be paid. P. Kaster replied PFM will be paid on an hourly basis.

Commissioner Blumreich asked how much the financial advisor will cost. P. Kaster replied no more than \$60,000. PFM will provide financial advice on how to proceed with the underwriting with the debt structure GBMSD has now, Clean Water Fund Loan versus going out into the market, and determine what other options are available.

Motion #12-078

It was moved by Mainz, seconded by Hasselblad, and unanimously agreed to engage Public Financial Management, Inc. as GBMSD's financial advisor in the amount not to exceed \$60,000.

8) Request Commission approval for Red Oak Consulting to provide a financial analysis on the proposed rate alternatives.

P. Kaster stated GBMSD entered into a contractual agreement with Red Oak Consulting in May 2012 for GBMSD's Rate Methodology for Cost of Service Allocation. He stated Ms. Malesky will give a brief overview of the process and the four rate alternatives.

C. Malesky from Red Oak Consulting reviewed the following:

- Key Objectives of Study
- SAG Mission Statement
- Evaluation of Alternatives
- Weighted Evaluation Criteria
- Evaluation Results and Eliminated Alternatives
- Financial Analysis
- Baseline Financial Model
- Revised Project Schedule

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Commissioner Alesch questioned the equity with the cost of getting the sewage to GBMSD. He asked how much it costs to run a lift station. T. Sigmund stated staff will look at what the costs are for the various lift stations and get that information back to the Commission.

The Commission encouraged Red Oak Consulting to proceed with the financial analysis of the proposed rate alternatives.

7) Request Commission approval to proceed with a performance based pay pilot study.

J. Christ stated GBMSD would like to modify its current pay program to incorporate a pilot pay for performance system for exempt employees to be implemented January 2013. She stated nonexempt employees will continue under the current system. She stated to implement pay for performance the salary ranges must be expanded by 5%, a common review date has been established, and performance evaluations have been completed. Executive Staff, Human Resources, and Scott Dettmann will review the completed evaluations and determine performance level and salary adjustment based on the performance/pay matrix. Criteria have been established to determine the effectiveness of the program.

Motion #12-079

It was moved by Hasselblad, seconded by Blumreich, and unanimously agreed to proceed with a performance based pay pilot study.

10) Request Commission approval of the proposed Sewer Use Ordinance changes.

W. Oldenburg stated last month GBMSD held a public hearing on the Sewer Use Ordinance and staff requested 58 changes. He stated after hearing the comments at the public hearing, staff is requesting to rescind three of the proposed changes. A schedule for modifying the local limits was included in the Commission packet.

Motion #12-080

It was moved by Hasselblad, seconded by Blumreich, and unanimously agreed to approve the proposed Sewer Use Ordinance changes (See Commission File 12-008).

9) Request Commission approval of the revised logo, name, and tagline.

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P. Kaster stated GBMSD contracted with Element to assist GBMSD in the rebranding process. He stated Element presented options to Executive Staff and Communications and Education and staff is proposing "NEW Water" with the wave logo and one of three taglines.

D. Blaszak from Element reported that Element conducted industry-wide research and interviewed various staff, customers, and Commissioners. He explained the importance of branding and reviewed the proposed name, logo, and various taglines. He stated the new name and logo will help transform perceptions of GBMSD as simply a wastewater treatment facility to an environmental leader, conservationist, and good steward in the watershed.

The Commission thanked Mr. Blaszak for the work he's done.

The Commission asked staff to make sure no one else is using the recommended name and asked to see more taglines.

11) Update of projects:

- a) **Resource Recovery and Electrical Energy (R2E2)**
- b) **De Pere Facility East Service Area Interceptor Rehabilitation**
- c) **West Tower Drive Interceptor Relocation**
- d) **HVAC & Lab Upgrades**
- e) **Air issues update**

12) Operation report:

- a) **Effluent quality for October**
- b) **Air quality for October**

13) Executive Director's report:

- a) **December Commission meeting**
- b) **GBMSD's holiday celebrations**
- c) **NACWA's 2013 Winter Conference**

14) 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**

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Motion #12-081

It was moved by Hasselblad, seconded by Mainz, 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.

15) Reconvene in open session.

Motion #12-082

It was moved by Mainz, 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 11:29 a.m.

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Secretary