

# GREEN BAY METROPOLITAN SEWERAGE DISTRICT

## PROCEEDINGS OF THE COMMISSION

Special meeting of the Commission held October 4, 2012.

**PRESENT:** Commissioners Alesch, Mainz, and Tumpach

**EXCUSED:** Commissioners Hasselblad and Blumreich

**ALSO PRESENT:** T. Sigmund, P. Kaster, P. Wescott, M. Diaz, J. Kennedy, M. Pierner, W. Angoli, J. Christ, J. Czynski, B. Bartel, B. Vander Loop, T. Garrison, J. Van Sistine, J. Nicks–Legal Counsel; C. Berndt–Village of Allouez; D. Martin–Village of Ashwaubenon; M. Pansier–Town of Ledgeview; M. Heckenlaible–City of Green Bay; G. Little–Town of Lawrence

Commission President Alesch called the meeting to order at 8:45 a.m.

### 1) **Budget workshop.**

Commissioner Alesch stated that staff will present a PowerPoint on the proposed 2013 budget and then Mr. Berndt from the Village of Allouez will provide the Commission with a letter on behalf of the Public Works Directors. He stated the Commission may not be able to answer all of your questions today.

T. Sigmund stated that he will review the proposed revisions to the proposed 2013 budget and the comments received since the September 27 meeting. He reviewed the variance of revenues and expenses from the 2012 budget to the proposed 2013 budget. He stated a positive variance under revenues is more revenue than budgeted. Under expenses, a positive variance indicates under budget. He reviewed the following:

- 2013 Priorities
- 2013 Proposes Expenses
- 2013 O&M Expenses
- Customer Comments
- Revisions Since Workshop No. 1
- Proposed Long-Term Capital Projects
- 2013 Annual Capital
- 2013 Major Capital
- Long Term Capital – Plants
- Long Term Capital – Interceptors
- 2013 Revenues
- Municipal Rate
- 2013 Budget Summary – O&M
- 2013 Budget Summary – Capital

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Commissioner Tumpach asked if GBMSD is going through Brown County to share in bulk prices for the radio communication. J. Czipinski replied yes.

T. Sigmund stated that GBMSD's auditor has advised staff that money collected in 2012 and 2013 to be used for future rate stabilization for the R2E2 Project should be accounted for in a segregated fund and not initially be credited to debt service. The auditor advised that it should not show up as revenue until you use it. He stated capital projects are anything over \$2,500 and small capital expenses are those that are under \$35,000. He stated if GBMSD is not going to borrow money for the project, it is shown in the budget as annual capital.

Commissioner Alesch stated the population growth is not adding enough to counter the reduction of flow from wet industries. He stated GBMSD needs to find new sources to treat in addition to existing municipal and industrial customers.

T. Sigmund stated a revised budget will be provided to GBMSD customers by October 12 and will request comments from the customers. The budget hearing and adoption will take place at the November 28 meeting.

C. Berndt from the Village of Allouez stated that he and Mr. Martin from the Village of Ashwaubenon will provide a summary of the letter sent to Mr. Sigmund yesterday from the metro area Public Works Directors (PWD). He stated the PWD appreciate the opportunity to discuss and have input in GBMSD's budget. He stated the communities have asked the PWD to scrutinize and understand GBMSD's budget. The intent of the PWD is to work collaboratively with GBMSD staff. He stated most of the comments in the letter were discussed previously at meetings between the PWD and GBMSD staff on September 20 and 21. He stated the PWD would like to understand some of the issues so they can report back to their boards, wastewater utilities, storm water utilities, and water utilities. The PWD seek to understand GBMSD's sewer treatment costs so they can address their own costs. The communities have a zero percent level increase in their general fund. He stated many communities cannot increase their budgets on the public works side so other cuts must be done to balance their budget.

T. Sigmund asked if it is zero or based on the growth of the community. C. Berndt replied that it is zero plus a percent of tax revenue on incremental growth.

C. Berndt stated the communities' budgets are very tight. He stated the PWD must answer questions from residents as to why their sanitary sewer service bill has increased and that is what precipitated the list of comments and questions.

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C. Berndt stated going back to last year at budget time, it was apparent that GBMSD planned a 3% operating cost increase and a 6% debt service cost increase for the R2E2 Project for a total increase of 9%. He stated since the proposed 2013 budget maintains the same debt service amount as the 2012 budget, the overall rate increase should approximate the 3% annual operating cost increase rather than the proposed 9% rate increase. He stated this is not the understanding the PWD had a year ago as to what the future increases would be. He stated the message here is for GBMSD to be as frugal as it can and the PWD will have comfort in the money GBMSD is spending is justifiable.

D. Martin from the Village of Ashwaubenon gave a brief summary. He stated that Mr. Sigmund did a great job reviewing with the PWD the thought process and selection of the R2E2 Project. He stated this opened up a lot of communication between GBMSD and the community. He stated notably the municipalities were not excited about the project cost, but it was a good communication tool. GBMSD's rates will be viewed more closely because of the R2E2 Project. He stated one of the PWD jobs is to get the correct information out to others in order to shoot down the problems and bolster the good. With the down economy, increases in salaries and benefits, travel and meetings, and office and administrative costs are scrutinized. The PWD are asking GBMSD to review these areas and substantiate the cost increases. The PWD need a clear understanding so things are not misinterpreted.

Commissioner Mainz stated as a Commissioner, he appreciates the PWD taking the time to present their comments and questions. He stated the Commission will take this seriously and work through the questions one by one. He asked the PWD if they are getting comments from the general public. C. Berndt replied yes, many questions from residents and board members on the R2E2 Project. The PWD must be able to present this to their boards and answer questions effectively and understand the spending. He stated the response given on the R2E2 Project is that it is expensive, but the project has to be done and we accept that. He stated the PWD questions are on the operating side. He stated residents want to meet with the PWD.

Commissioner Alesch stated that he appreciates the concerns of the PWD. Taking the extra year to go through the project and working with GBMSD customers was important, but has also caused some problems meeting new regulations. Besides treating wastewater, GBMSD takes care of the environment and public health. He stated that in addition to GBMSD's core business, GBMSD also supports the economy of the region. He stated GBMSD is focusing on resource recovery by capturing phosphorus from sewage to reduce costs to GBMSD customers. GBMSD would also like to reduce its power cost in half. He stated that he is interested in rewarding organizations for sending GBMSD more BOD, which is good for its business.

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Commissioner Alesch stated the Commission appreciates all your comments and will take them very seriously. Staff will respond to your questions and comments. He stated this is a rebuilding period because the environment is changing so much and GBMSD needs to adapt proactively to what is going on around it. GBMSD needs to find the most economic way to do things.

C. Berndt stated that GBMSD customers were remiss in years past with not being more supportive, but are trying to change that. He stated GBMSD and the community have come a long way in the last 1½ years in working together.

Commissioner Mainz stated that he would like staff to provide written responses to the nine questions identified in the letter from the PWD.

Commissioner Tumpach stated it is important to understand the budget projections in the interest of the community and the people here today addressing these points.

Commissioner Alesch asked about the 11% reduction in BOD loading. B. Vander Loop stated the 2012 budget projection for BOD was based on past experience. He stated the decline in BOD started after that point. He stated there have been record lows in precipitation, which has affected flow projections.

Commissioner Alesch asked about the rate stabilization reserve. T. Sigmund responded the amount in the reserve will not be known until the 2012 audit has been completed.

Commissioner Alesch asked why salaries and benefits are going up to \$9.7 million. T. Sigmund replied it is due to several elements. He stated the Commission approved the addition of the Director of Environmental Programs position to continue to do complex environmental compliance and watershed beginning in October 2012. He stated in the 2012 budget four positions were not budgeted for the full year, which were: Communications and Education Assistant, Director of Environmental Programs, Operations Trainer position, and the new Staff Engineer. He stated the Staff Engineer's benefits are included in the benefits category, but the salary is in Engineering capital. He stated there is a 14% increase in health insurance premiums, the Wisconsin Retirement System is increasing employee contribution from 5.9 - 6.65%, and staff is planning for a 9% increase in dental insurance premiums.

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Commissioner Alesch requested a breakdown of salaries and benefits, contracted services, and maintenance and repairs. T. Sigmund replied staff will provide the Commission with a list. He stated previously, the cost of a study was included in capital until it became a debt service. Starting in 2011, a study is put into contracted services, but not all studies become a construction project.

Commissioner Alesch asked about capital projects. T. Sigmund replied there are small capital items in maintenance and repairs. He stated until construction begins on a project, the project is a study under contracted services. He stated the study becomes part of the value of the asset and not all studies result in a construction project. GBMSD is not eligible for reimbursement on a Clean Water Fund loan until construction begins.

C. Berndt stated that he would like to see a list of annual capital projects as a line item or a subset. T. Sigmund replied GBMSD will continue to provide more information. He stated staff anticipated a 3% increase in power and budgeted last year for that, but ended up spending less. He stated power is budgeted on flows and loads and not on the previous year's electric rate. He stated capital items for replacement under \$35,000 go into maintenance and repairs.

Commissioner Alesch asked about risk based asset management (RBAM). P. Kaster replied RBAM is a critical and condition assessment of when items need to be replaced. T. Sigmund stated RBAM will minimize any surprises in budgeting for maintenance and repairs.

Commissioner Mainz asked staff to re-evaluate the projected increases in natural gas and fuel oil, office and administrative, supplies, employee training, and travel and meetings. T. Sigmund replied staff will go through the details.

Commissioner Alesch asked about the clear water reduction program on the five year capital plan. T. Sigmund stated the intent was to do things on a district-wide basis to help GBMSD customers. Customers have asked GBMSD not to include these costs. That will be adjusted.

Commissioner Mainz asked about the employees headcount report. T. Sigmund replied the report includes regular full time and part time employees. He stated the GIS Technician position in Engineering was transferred to Information Technology.

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Commissioner Tumpach asked if the Environmental Programs Manager could have a dual role with the Environmental Compliance Specialist position. T. Sigmund replied watershed and regulatory issues are increasing, and it is important to support both of these needs with separate positions.

Commissioner Tumpach stated some private sector employees are paying 20 - 25% of their health insurance costs and GBMSD employees are at 6%. He stated that he would like to see an increase in employee cost. T. Sigmund stated the Commission approved the 2013 health insurance premiums at the September Commission meeting.

Commissioner Mainz asked those present what percentage they are paying for health insurance. C. Berndt replied the Village of Allouez offers two options. Employees can pay 12% of the insurance cost with a \$4,000 deductible or pay 20% for the standard plan. He stated the 2013 increase in health costs is 2% as opposed to double digit last year. M. Heckenlaible stated the City of Green Bay is going up 12%.

Commissioner Mainz asked if the Village of Allouez or City of Green Bay pay health insurance for retirees. Both replied no.

Commissioner Mainz asked if the City of Green Bay has a sliding scale. M. Heckenlaible replied yes.

Commissioner Alesch asked staff to provide answers to the questions posed by the PWD. GBMSD will conduct a benefits study in 2013.

Commissioner Tumpach stated that he would like to see lower costs in salaries and benefits.

There being no further business to come before the Commission, the meeting adjourned at 10:44 a.m.

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**Secretary**