Minutes of January 9, 2024

A meeting of the Wausau Water Works Commission was called to order at 10:30 a.m. in City Hall on Tuesday, January 9, 2024. In compliance with Wisconsin Statutes, this meeting was posted and receipted for by the Wausau Daily Herald on January 5, 2024.

Members Present: President Rosenberg, Commissioners Herbst, Robinson, Force, Gehin
Others Present: Scott Boers, Eric Lindman, Ben Brooks, Anne Jacobson, MaryAnne Groat.

1) Approve Minutes of December 5, 2023 Meeting.

Gehin motioned to approve minutes. Seconded by Herbst.

Gehin asked about item #5 for the locates. We haven't done anything to beef up staff to do that. How do we get approval to add staff. Lindman stated that's correct and he thinks that's part of the process that was discussed at the Water Commission and Human Resource Committee joint meeting from January 8th. That conversation will start there just like we are going to do with the added staff that was recommended through our staffing assessment. Gehin asked if HR is the final authority or if it has to go to Council. Rosenberg confirmed it needs to go to Council. Gehin asked if they make a request, they can't be denied by staff, is that correct? Who has to sign the request, he can't remember the process. Rosenberg asked what type of request he is asking. Gehin stated for a staff person to be added. Rosenberg explained that if it's a new position it would go through HR, then council and then the hiring process would begin assuming it's approved.

Rosenberg wants to make sure we are staying on task as we were approving minutes.

Motion Carried 5-0.

2) Director's Report on Utility Operations.

Lindman stated that he gave an update on the Solar Array Task Force. It is on schedule, and it is proposed to wrap up this spring. The task force will provide some recommendations based on what they've discussed the last several months back to the commission. The commission approved a contract with Clark Dietz and we've been using their technical expertise with the task force to provide information. The task force continues to ask for more data and information. He wants to make sure that the commission is still okay with us utilizing some of the funding out of that contract because that's really the only funding source we have obligated for this work. So far, he believes it's been a few thousand dollars. Asking for more data may become a little more in depth. It could be approximately another \$6k-\$7k. Gehin stated he's not opposed to it but in light of where we are financially is it more of a nice thing or are we going to get enough pay back. Lindman responded that this is information that will be required regardless, so whether the commission asks for it in the future, or we do it now to help the task force make the recommendations. Eventually we're going to have to do it if we're to go ahead with the project.

Force noticed that it was mentioned that a neighborhood group meeting was planned for January ad we're already into January. Are we still planning on doing that this month. Lindman confirmed yes, that's the neighborhood group on the northwest side and that's scheduled at the very end of the month, that's when they have their regular scheduled meetings.

Robinson explained that what will be presented are their array of alternatives and from that they can narrow it down, develop a recommendation and make sure there is a return on investment.

Director's Report Placed on File.

3) Presentation on the Development of a Lead Service Line Replacement Ordinance and Associated PSC Requirements.

Lindman stated that the state of Wisconsin was selected to work with the Lead Service Line accelerator program through the EPA. Wausau has been working with the consultant hired by the EPA. We've also had iterations of a proposed mandatory lead service line replacement. Part of that is some requirements moving forward, if we want to use user rates for funding. That's what Horsley Witten is here to speak about, give a presentation of work that's been done and then the benefit and the process for the lead service line replacement ordinance. See link to presentation and discussion @ 7min:30sec.

4) Discussion on a Draft Lead Service Line Replacement Ordinance and Proposed Schedule.

Force was interested in section 9 where it talks about financing, particularly parts C and D about the cost following a grant and what portion of the financing will fall on the property owner. How the property owner is eligible for assistance, what that assistance would be and what the property owner is more than likely going to be responsible for paying. There is reference to a 0% interest loan of up to 6 years provided by the Water Utility. Lindman responded that this is an option for the language and for other funding sources to come in, like the community development block grant, etc. Some people could be eligible for that. He knows CIP is also looking at other funding options. Loan programs are used throughout the city.

Force noticed that we continue to approximate the cost at $8k-$9k per private service line and he's heard estimates from $3k-$10k per line replacement. He would caution us to keep the individual property owner in mind when we make these broad, general statements. The message might get lost if we don't pay attention to each individual property owner.

Robinson asked if the 6-year loan repayment is based on the current reassessment policy. Lindman responded that he believes that timeframe was taken from another city's ordinance, they established that, and it wasn't specific to Wausau. Robinson asked if we know our repayment period is for the safe drinking water loan portion. Lindman said he believes it is typically 20 years. It could be less. Robinson asked what the market rate is. Lindman thinks the lead service line replacement funding is set at .5%. He can verify that.

Robinson thinks there's a need to define the commission in the ordinance as well as a need to tweak a few things as it relates to the loan and a few nuances in there that we need to do. Robinson is looking for policy vs ordinance. What is the timeline for the property owner to replace their side if the utility side is replaced. Robinson stated he is looking for a seamless approach.

Rosenberg stated this is an amalgamation of drafts.

Robinson brought up a concern on enforcement and the issue with the authority to discontinue service. From a health and wellness perspective we need to look at that carefully to make sure we aren't adopting something that would be challenged.

Gehin asked if in the presentation, did they say there might be federal regulations that if we change our side that the property owner side has to be done at the same time? Rosenberg said there was a recent announcement with the EPA that said they were condensing the replacement for all municipal utilities to 10 years, but she didn't remember a specific data point about a requirement for private side replacement if we do the utility side. Lindman added that the Lead and Copper Rule Improvements (LCRI) states that there will be no partial replacements. The EPA has stated that there's a couple different scenarios for extending timelines but there's a time when things need to be done. The DNR will adopt that, so the DNR may make that more restrictive, to either not allow it or if the Utility side is replaced, they would only have so many days to replace the private side. The consensus is that there will be no partial replacements. Boers stated that initially they were going to tie that to 45 days between the replacement of the utility/private sides but there's been some challenges coming to that. There is nothing permanent yet but it's on the horizon.

5) **Discussion on the Wastewater PFAS Sampling Results from November 2023.**

Brooks began with the influent sampling results. Two of the PFAS chains that we are looking at are the PFOA and PFOS concentrations. On the influent we had PFOA of 4.8ng/L and PFOS of 8.91. On our effluent samples, PFOA was 7.73 and PFOS was 34.0. For the biosolids sludge, on the effluent, you're looking at the 2 chains separately but for the biosolids you're seeing the PFOA and PFOS chains combined. On the sludge we're looking at 8.341ng/G which is under the 16ng/G. On the influent, it's coming into the wastewater plant less than what it is going out and we are trying to figure out why. If it's what they call the biotransformation which happens within the treatment facility where the chains can change from a long to a short chain and vice versa. We are uncertain at this point. We will be looking at chemicals used and keep looking as to what's causing that.

Gehin asked for clarification on the sludge is it below the recommendation? Brooks explained that the sludge is deciphered on a tier type level. If it's less than 16ng/G there is no action that we need to take. If it's above 50ng/G there is intermediate action and if it's above 150ng/G, he believes you have to hold the sludge or it has to go to a certified landfill. We are under the 16ng/G.

Rosenberg asked if this is the first time we've tested the sludge. Brooks responded that we did a second sample in December, but we don't have the results back for that yet.

Force asked if we are testing every month so we might see a trend with the sludge PFAS number. Brooks responded that we will probably be sampling for 3-6 months, depending on what the commission would like to see. How long would the commission like them to continue the testing? With any testing, we have to report the numbers to the DNR. Force stated that 3-6 months should take us through different seasons, and he would defer that decision until they see the upcoming results.

Robinson stated that the whole issue of biosolids has been a sore spot with the DNR External Advisory Committee and we don't really know where it's going to go. Our results appear to be pretty well below any proposed standards that other states have developed. The biotransformation is common when you have different processes affecting some of the chains.

6) **Discussion on Utility Financial Strategies and Key Performance Indexes.**

Groat explained that Workday was implemented January 1, 2024. Workday has set up their system so that you basically have separate books, one for modified accrual, one for full accrual and then you can have others as well. A full accrual is what a utility would use to look at the overall organization's financial position, long term debt and what capacity there is in cash to fund new assets. A modified accrual looks at short term performance of the organization and eliminates non-cash transactions. Groat spoke about the utility based on a modified accrual. On the revenue side it looks at a short-term view of receivables. The financial statement they have is very preliminary and are missing the last month of service and allocation processes. The closing of the utilities books usually takes about 3 months. When you look at the budget, we expected to lose about $636,000.00. As of now, we are showing an increase to so-called cash by about $1.6m for the sewer utility. There is a small amount of capital in there due to ARPA funding so there may be expense anomalies in this first year because of the new treatment facility. Interest rates have also helped us a bit, our rate of return has been higher. For the Water utility, the rates did not go into effect until July 1st. We had budgeted a loss of $2.1m but at this point we are showing a loss of $708,000. When you look at the capital outlay it is much higher that the sewer utility. They will look at that to will make sure that everything has been charged to the correct program and income source, such as ARPA. They will analyze the expenses that were over what was budgeted and make tweaks to the 2024 budget if necessary. There were large projects for the water utility such as the new treatment plant and GAC system. Next year she would expect that the outcome would be better as consumption plays a big part of our revenues each year, so we really don't know how 2024 is going to be based on future consumption.

Groat stated that the lead service line replacement is one thing that the city could potentially use tax increment financing. The common council just considered extending the life of TID 6 by one year and adopted a resolution in December. The law says you can use those funds for housing stock improvement, 75% for affordable housing and 25% for housing stock improvement. She had spoken with our bond counsel, and they felt that lead service line replacement would meet the eligibility of that one-year extension. We talked about it at the finance committee, council did adopt a resolution that excluded the lead service line replacement program. She spoke to the Wisconsin League of the Cities within the last year and half to specifically list that as an eligible cost for the TID districts. Right now, you can extend it for one year and thinks it might be appropriate for legislature to consider a second year just for lead service line replacement. It is something council could consider asking legislatures to consider. Lead service line replacement is an issue throughout Wisconsin, and we have very few resources to pay for that.

Robinson stated there is difference in opinion on how long to extend TIF's (tax increment financing). We are wrestling with the issue of what the implementation of the Baker Tilly recommendations would be relative to the compensation study and one of the issues that's missing in the water utility is the disposal of resin. When we start showing an expense over revenue, where do we make up that difference? Groat explained that the water is governed by the PSC, and they said no rate increase on construction until it's in place. So even though we were paying interest, we were not able to include any of that. We have always been restrained for the water utility on what we can recover. The only way to make it up is through good financial planning and looking at our capital plan. That's why she was encouraging us to use the ARPA funds for the water and sewer utility because she felt that is where we had our greatest need and ultimately impacts the rate payers. We do have some funds left so there are options for council to consider.

Gehin asked about the funding from the TIF's and if they can be used city wide. Groat said yes, we could do project plan amendments. If we have a TID that has extra capacity, we could do a project plan amendment and include lead service line replacement as part of the project plan within the district and within the half mile boundary. Normally these are commercial districts but given the half mile boundary we could recover some additional costs.

Gehin said the discussion about reducing the payment in lieu of tax, that still puts a burden back to the taxpayer and we're collecting money from nonprofits, schools. We've got to balance that out. Groat responded that it was reduced in 2022 and we've basically frozen it now. If we're going to have the conversation, anytime we're dealing with changes to our financials, if you can step into something with small changes over time, they do accumulate but don't have an impact on one specific year's budget.

Lindman said as we go through the year, he tries to bring capital budget updates to the commission. The capital budget is approved 6 months before the following year and we're always adjusting for conflicting priorities. It may be more prevalent this year because our operations are completely unknown at this point. As we move forward and those priorities come up and if we have to defer projects and change the capital plan, we may see the capital 5-year plan come to the commission more often this year. It's important to keep an understanding of where those revenues are.

Gehin brought up monthly water billing and he thinks we need to think about that. Groat responded they can still pay monthly, there are a lot of people that do. There are more costs associated with monthly billing such as staff time, additional postage, etc. We can certainly consider it, but she isn't sure how long that would take.

7) Discussion and Possible Action Approving Principal Forgiveness and Loan Acceptance through the WDNR Environmental Loan Fund

Lindman said when he was putting this together, he put it on as an action item, but we don't necessarily need action. Staff has been working with our engineering firms to apply for projects to try to access some of the new infrastructure funding. These are the projects that were funded with principal forgiveness, some of them are significant, the GAC project is ongoing, and the lead service line replacement project is moving forward as well. There are some clean water projects such as the Stewart Avenue project which is a DOT project and bids start today or tomorrow. Having approval on these or approval to move forward is important because depending on the funding source, depends on the type of procurement we're going to need when we're bidding these projects. When we have DOT projects, who's doing the bidding for us, we need to let them know that we have to add additional provisions. For example, they use state prevailing wage rates and these funds use Davis Bacon so there are different requirements. There was conversation yesterday with Groat and Ehlers and we are trying to get a joint Water Commission and Finance Committee meeting together on February 13th to look at this and have Ehlers present. We can't take the principal forgiveness without taking the loan. We want to understand how the debt issuance affects us moving forward. It will also help council determine if additional ARPA should be put toward these projects. He feels overall we've done quite well with the principal forgiveness funding. This is an important consideration for us to move forward and get some projects done that are priorities for us and projects that are already ongoing.

No Action Taken.

8) Adjourn.

Robinson motioned to adjourn. Seconded by Herbst.

Force left the meeting during Agenda Item #6.

Motion Carried 4-0.

Link to view meeting in its entirety: *https://tinyurl.com/wausaucitycouncil*
Michelle Weasler, Recording Secretary
S:\WaterWorks\Common\WaterCommission\2024\February\WWWC_20240109_Minutes.doc.