WAUSAU WATER WORKS
FOR YOU!

Minutes of June 2, 2020

A meeting of the Wausau Water Works Commission was called to order at 1:30 p.m. in City Hall on June 2, 2020. In compliance with Wisconsin Statutes, this meeting was posted and receipted for by the Wausau Daily Herald on May 29, 2020.

Members present: President Rosenberg, Commissioners Force, Robinson, Herbst, Gehin.
Others present: Eric Lindman, Dave Erickson, Scott Boers, Valerie Swanborg, Steve Opatik/Becher Hoppe, Mike Gerbitz/Donohue, Brian Roemer/Ehlers Inc. via WebEx.

Rosenberg made the request to move Agenda item #5, Discussion and Possible Action on Approving a Stepped Sewer Rate Increase, to be discussed in place of Agenda item #3 so we can hear Ehler's report before the other items.

1) **Approve Minutes of May 5, 2020 Meeting.**
   Gehin moved to approve the minutes of the May 5, 2020 meeting. Seconded by Herbst and the motion carried 5-0.

   Force requested status regarding the planting around Reservoir Park. Boers advised he hasn't followed up on that but will check and get back to him.

2) **Director's Report on Utility Operations.**
   Force advised he has again noticed hydrant flushing going on without signage. This was on S 17th Ave & Stewart. The water was gushing across the street crossing all lanes. Cars were driving through it but water was splashing up onto their windshields. He's just worried that someone will swerve or stop. Lindman advised Boers could work with DPW to get signs up. Boers explained that he had followed up on this as Force had the same concerns last year. There are signs on the trucks to be placed on heavily traveled streets but maybe it was missed. He will follow up.
   Robinson brought up questions relative to the scope of services for the inflow/infiltration study. Is it policy for us to rely on the engineer's contract or does the city have a template for contracts going forward and if they don't he would suggest we look at it. Some of the exclusions are longer than the terms of services. He thinks it's always better for the city or utility to develop their own contract with standard insurance, indemnification and other language. This is a significant contract and we are basically defaulting to their contract. Lindman advised that currently the city has been working on establishing a contract to be used with all RFP's for all departments. There has not had a contract for professional services in the past. For construction we have our own contracts established. A lot of the language used by Strand in this contract was pulled out of EJCDC and that's the direction the city is moving but we don't have one in place yet. When we do send out the RFP's, it would be nice to have the contract attached. It makes it easier and lessens the burden of reviewing all the different contracts. We're not there yet but are working on it. Robinson advised that the DNR has a standard professional services contract if

that's something we'd want to look at. We'd just be better served by having our own contract. Lindman said we should hopefully have something put together this year that could be used city wide.

Gehin asked about the status of the blower that went down. Erickson advised that he spoke with Donohue and they've considered different options. The blower is expensive and there is a long lead time to get one replaced. The option they are exploring is to get the new blowers in place or one of them at least as soon as possible. For an emergency they are looking at a different style blower that could be installed with a shorter lead time. They are fine with 2 blowers but if they lose another one they'd need to step into emergency mode. Gehin asked how many they typically use. Erickson advised they typically use one but this time of year when it's hot they might need a second one. They could also have one down for maintenance so they need another for backup.

Director's Report placed on file.

5) Discussion and Possible Action on Approving a Stepped Sewer Rate Increase.

Lindman advised we have Ehler's with us via WebEx and he had put some information in the packet in the form of a memo along with some attachments. The draft resolution was also put together for the sewer rates that are proposed. They are a little different than what the rate study showed which came from Ehler's. The recommendation would be to follow Ehler's with the rate study so the numbers on the resolution will be amended accordingly before going to council.

Presentation was presented by Brian Roemer with Ehler's, Inc. the financial consultant hired by the utility.

Gehin asked what caused the $1.2 million dollar increase in net revenue in 2019 on the PSC report. Was that due to a large rate increase? Lindman advised that was from the TID that paid for the water/sewer utility work out in the West Business Campus.

Gehin asked if the 3 sewer step increases need to be written that way into the ordinance. Roemer confirmed yes that is required by the DOA. They require an increase in order to pay interest up until substantial completion of the wastewater facility. The total required is a 63% total increase in rates. It was decided to do that in a 3 step increase of 22%, 22% and 19%.

Robinson questioned how set we are with those percentages. His concern is the affordability for low income residents. What happens if we smooth out those percentages to try to lower the impact in year one. What does that do to our bonding and other requirements? Roemer responded that on the sewer we can change it any which way we choose to. However, they do recommend going from higher to lower for cash flow purposes and to get a better picture of what is ultimately needed. Robinson asked if there is any data as to what rate increases do to utilization and how that may impact volume and revenue. Roemer responded they have no data that correlation would show causation. Gehin explained that over the years when we have had significant rate increases there was somewhat of a depressed usage but within 6 months it was typically back to normal. He also wants to remind everybody that we just implemented a 20% increase in early 2019 and there were virtually no complaints. That doesn't mean we shouldn't try to make it affordable for the low income however he doesn't think we should make it easy in the beginning and find out at the end that we are way behind.

Robinson agrees that we need to keep our fiscal house in order but he is a little bit concerned about the impact on rate payers and what our options might be. He understands we have a target that we need to reach over 3 years. Gehin mentioned that it will be a significant change but we do have some latitude compared to our sister communities in Wisconsin. Force added that this will be a tough year for some. People are out of work and on fixed incomes. He doesn't know that it makes sense to adjust the first year down because then we have to adjust the other years up. He added that they are coming up with some forms of communication to help users find ways to conserve water and lower their water bills.

Lindman advised that the PSC has their set rate structures. Larger communities that have 20,000 or more connections will do their own rate structure and that is what we are proposing to look at addressing in 2021 for those low income residents. In 2021 when we go in for a full rate case, we will look at how we can restructure, how we charge and other things we can do to better manage user rates. He also mentioned that going into 2022 & 2023, he's looking at going to monthly billing as it's more tolerable for our customers. It will be significant on our end to do that but for our users we should focus on looking into that in the future and our billing system does give us the capability to do that. He thinks the 2 years will give us time to move into that for remote reading and the meters, etc. Groat spoke to the monthly billing and that they do have customers that pay monthly now by just splitting their average bill. She also spoke to the fact of looking at an 18% increase vs a 20% increase sounds like a lot but it's really only a few dollars per quarter, not to minimize those that are struggling to pay their bills. It does make the difference, as Roemer indicated, for cash flow purposes to meet our capital needs and our obligation to make a rate of return to our bond holders.

Gehin motioned to adopt and move the current draft on to council however Robinson expressed that he is still uncomfortable with the rates. The second year for water is a 3% increase. What if we go to a 15% sewer rate increase the first year and catch that up in the second year. Is that doable? Lindman advised that would be up to the commission. Robinson's concern is that customers don't break up their bill between water and sewer. If we can soften the blow in year one that would be better. Gehin clarified that the original first year increase was at 22% and Robinson wants to go to 15%, that puts year 2 at 29%. Gehin would be more inclined to support that if we went closer to 17%. Force advised that this would cause a large increase for the second year. Lindman advised we have to get to a total of 63% at substantial completion of the project.

Gehin motioned to approve sewer rate step increases of 18% first step, 26% second step and 19% for the third step. Seconded by Robinson. Motion carried 5-0.

Robinson requested that we get an update on the monthly billing and possible automatic payments in the future. Lindman responded that he will get something on the agenda within the next couple months.

3) Discussion and Possible Action on Approval of the Financial Assistance Agreement (FAA) for the WDNR Clean Water Fund Loan for the Wastewater Treatment Facility Upgrade.

Lindman explained that the actual Financial Assistance Agreements which are like these were completed by the DNR and he had forwarded those out to everyone. He tried to break out the amounts on the spreadsheet to specify where the costs are coming from, what the principal forgiveness is and what the professional services vs construction costs are. This is the agreement and amounts the commission will agree to, along with the mandated contingencies that the DNR requires us to add on to the loan. If those contingencies aren't spent then that isn't something we will borrow. These will be finalized through our bond council along with the resolutions for next week's city council meeting. Bond council has not yet completed their review and resolution. Gehin noticed that the interest rate did creep up a little. Lindman advised when we first started this a couple years ago, we were looking at 1.65% and that is what we were basing the rate increases on. When Covid hit there was an increase so now it's at 1.76% for the water and 1.87% for the wastewater. Force confirmed this is a fixed rate. Lindman confirmed that is correct.

Gehin moved to approve the FAA for the Clean Water Fund Loan so we can proceed with the financing from the state. Seconded by Herbst. Motion carried 5-0.

4) Discussion and Possible Action on Approval of the Financial Assistance Agreement (FAA) for the WDNR Safe Drinking Water Fund Loan for the Drinking Water Treatment Facility.

Motion by Robinson to approve the FAA for the Safe Drinking Water Fund Loan. Seconded by Force. Motion carried 5-0.

6) Discussion on Establishing a Mandatory Private Side Lead Lateral Replacement Ordinance.

Lindman advised this had been up for discussion before and Boers compiled a few examples of other municipalities that have these mandatory ordinances. The topic regarding the lead we have in the ground and how we are going to remediate the situation comes up quite often. The DNR had put out some funding to help through forgivable loans, basically grants. Eventually he believes we will have to have one of these ordinances in order to apply for it. There is another round of funding for 2021 which we will apply for to help residents replace their private side lead service lines.

Force advised that while he appreciated the data, he couldn't possibly analyze it all and figure out what would be appropriate for us. We need to see the highlights of what is in these ordinances and then start shaping our own. Lindman explained that this was just for information and wanted to get it in front of the commission for a decision on whether they wanted staff to begin drafting something for them. If this is a direction they want to go we will start summarizing this information for the commission's review. Robinson asked what percentage of the private laterals are lead. Boers advised that on the city side we estimate about 5,000 and private side is estimated around 10,000. We have close to 17,000 connections in the city. Robinson advised he liked Green Bay's ordinance best in terms of prioritization. If we are going to do this, a 45 day notice requirement for upcoming projects and the 30 day time to respond with 2 bids and a contract is impossible for some residents. He would encourage some thought to building in some additional notice. Force advised in the past we've had an ad-hoc priority list with daycares and schools, residents within current street construction project areas and then going back to previous street reconstruction areas. Are we thinking of going beyond those priorities where anyone that has a lead line can apply for this loan? Lindman advised this was one of the last priorities however we are not there yet. Boers and Sell/Water Utility Manager are starting with 2016 street reconstruction projects and going back from there. They are sending notices out to those residents. Boers advised notification letters are being mailed for 2013 right now. Boers advised the reason we stayed away from residents being able to apply from anywhere around the city is because the replacement has to result in a full lead line replacement. This means the city side and the private side has to be replaced. Typically the cost for the city side is 4-5 times higher than it is for the private side replacement. If it costs $3,000-$5,000 to replace their side, it will cost the city approximately $15,000-$25,000 to change out. $100,000.00 of principle forgiveness funding could cost the utility $500,000.00.

Lindman stated that we will start weeding through this and bring it back for further discussion at some point in the near future.

7) Discussion and Possible Action on the 2021-2025 DRAFT Capital Budget.

Lindman advised this is just a draft to look at and will be bringing this back in July hopefully for the final. We are going to have the borrowing for the treatment facilities and the other large capital projects, typically the other capital projects are replacement of water and sewer mains in conjunction with our street reconstruction projects. . There have been a lot of streets the last few years because of the TID funding. It's been a burden on the utility but it's done to support those projects.

Robinson stated that in light of the facility upgrades, one of the things he noticed was a new dump truck. His understanding is that the volume of sludge will be significantly reduced. Are there opportunities to evaluate that along with the program efficiencies and reductions? Lindman agreed and said that moving forward we'll have to take a look at what the needs are for our operations. Right now a lot of the sludge hauling is contracted out or we have DPW do it with their trucks. There will be significantly less biosolids after the plant upgrade but we may still need a dump truck for other operations. These are things we'll have to take a closer look at, we've tried doing that in some ways but could do a better job trying to even out the borrowing and large budget items.

Force requested to see a breakdown of borrowed vs the operating funds so they don't have to go through and add it up themselves. Lindman agreed to do that.

8) Discussion and Review of the 2019 PSC Annual Report for Drinking Water.

Lindman stated this was completed and submitted to the PSC as we do annually. Typically this is brought forward just for review.

Gehin asked about the nonrevenue loss in water. Boers explained there was an increase this year over the prior year. This could be contributed to the industrial park tower that had to be turned over several times when the line was put out to Great Lakes Cheese.

Force asked where the Inflow/Infiltration Study came from as he doesn't recall having this on the agenda in the past. Lindman advised it's been in our capital budget and believes we started it in 2018. They talked about putting it out last year but they didn't get to it so it was carried over for 2020. The main reason is the significant rain events is causing the plant to see over 21 million gallons/day which is 4-5 times our daily flow.

Force also brought attention to the sheet he passed out for water conservation. Do they want him, Miller and Boers to continue with that or do something else? They started with just some basic information and want to be creative with the approach in getting the word out rather than just the newsletter. If they are in favor of them doing that they will come up with some next steps. Robinson thought we could encourage the use of rain barrels as a way to reduce water use.

Rosenberg welcomed Robinson to the Water Commission.

9) Adjourn.

Meeting adjourned.

TY2020 Utility Rate Studies

6/2/20 Wausau Water Works Commission Meeting

Agenda

- Water
  - ✓ DWTF Funding
  - ✓ Rate Adjustment
  - ✓ Future Planning
- Sewer
  - ✓ WWTF Funding
  - ✓ Rate Adjustment
  - ✓ Future Planning

Water – DWTF Funding

- Safe Drinking Water Fund Loan
  - ✓ Underwriter: State of WI
  - ✓ Term & Rate: 20 years & 1.76%
  - ✓ Payment Structure: Interest on disbursements; principal upon substantial completion
  - ✓ Security: Water Revenues

Water – DWTF Funding

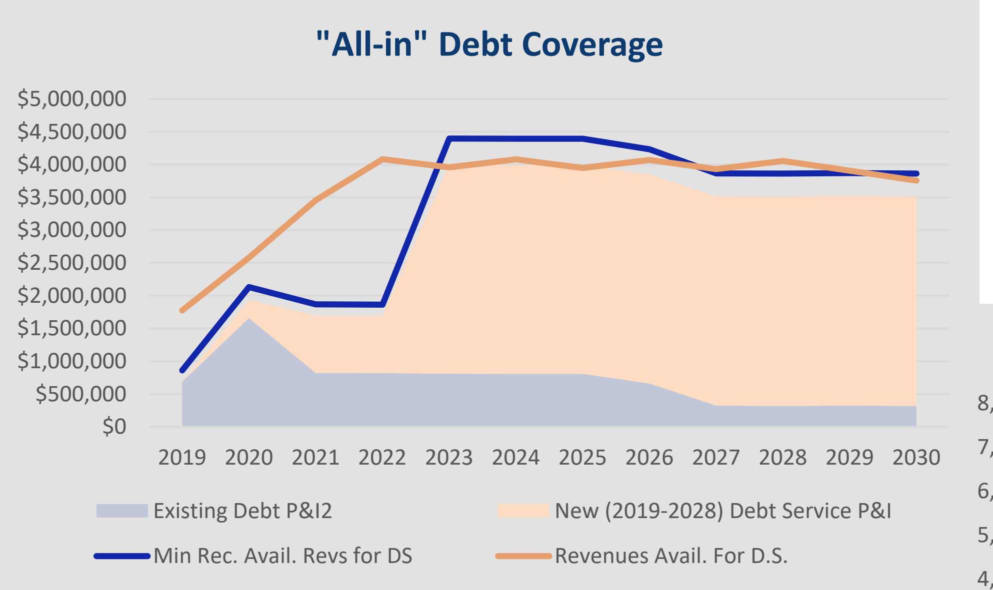
- Coverage
  - ✓ Net Revenues need to be > 1.25 times annual debt service
    - ➢ Existing Debt Service: 2017 & 2019 Water Revenue Bonds
  - ✓ Net Revenues = Op. Revs. Of System less current expenses
    - ➢ Insufficient at time of closing
    - ➢ Need rate adjustment

Water – Rate Adjustment to close

- Regulated: Conventional Rate Case (CRC) through PSC
  - ✓ PSC determines rates based on
    - ➢ O&M, Depreciation, and Rate of Return on Rate Base
    - ➢ See 2/25/20 Memo to WW Commission
  - ✓ Application filed 11/19/20
  - ✓ Rate Implementation Letter Signed 5/20/20
  - ✓ PSC Authorized 2 step rate increase
  - ✓ <u>Additional increase needed</u>

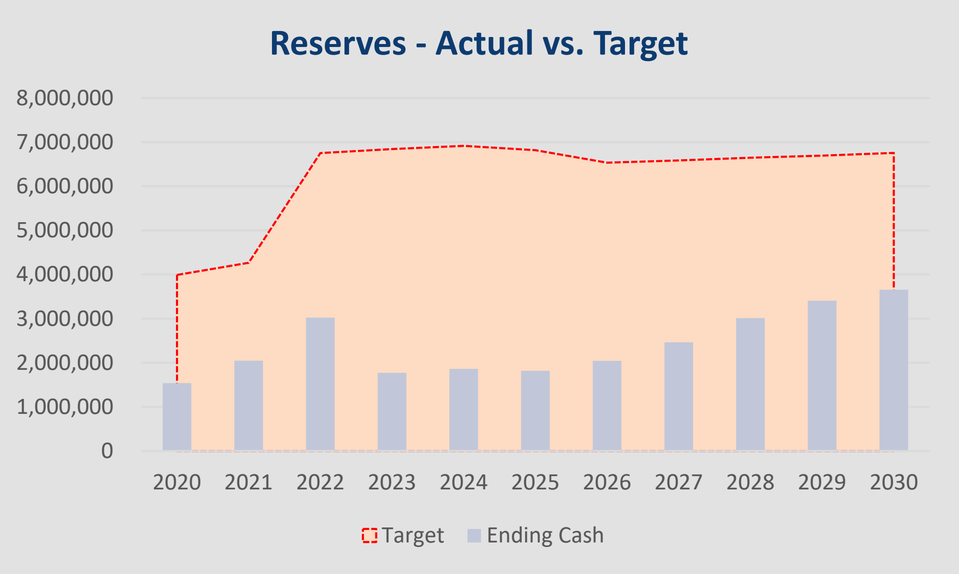
	1st step	2nd Step	3rd step
Effective	7/1/20	1/1/21	1/1/22 (TBD)
Incr. to Rate Revs	26%	3%	9.78% (TBD)
Incr. to Avg. RES Incl. PFP	27.7%	3.5%	TBD

Water – Future Planning



Are rates set to pay for financial obligations?

Are rates set to maintain adequate reserves?



Sewer – WWTF Funding

- Clean Water Fund Loan
  - ✓ Underwriter: State of WI
  - ✓ Term & Rate: 30 years & 1.87%
  - ✓ Payment Structure: Interest on disbursements; principal upon substantial completion
  - ✓ Security: Sewer Revenues

Sewer – WWTF Funding

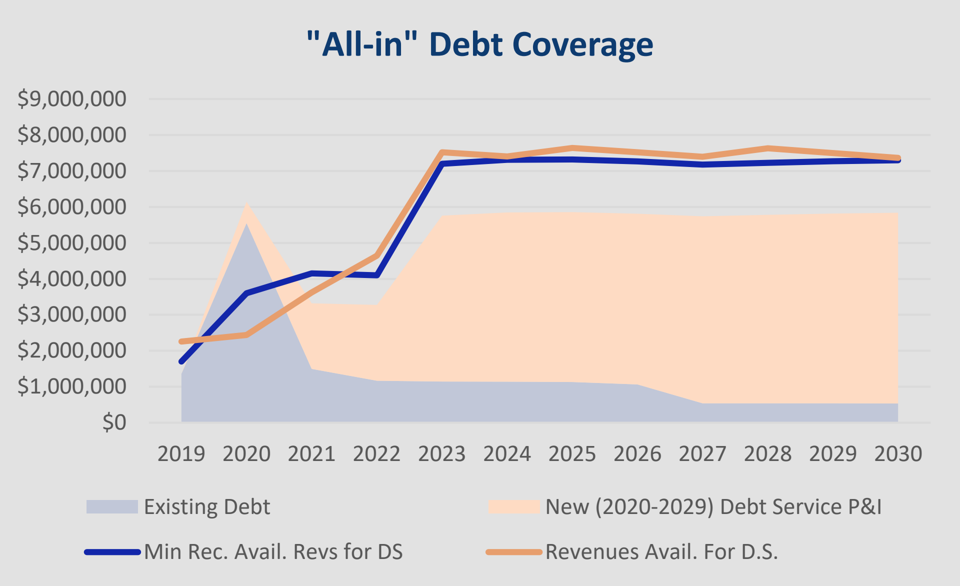
- Coverage
  - ✓ Net Revenues need to be > 1.25 times annual debt service
    - ➢ Existing Debt Service: 2017 & 2019 Sewer Revenue Bonds
  - ✓ Net Revenues = Op. Revs. Of System less current expenses
    - ➢ Insufficient at time of closing
    - ➢ Need rate adjustment

Sewer – Rate Adjustment

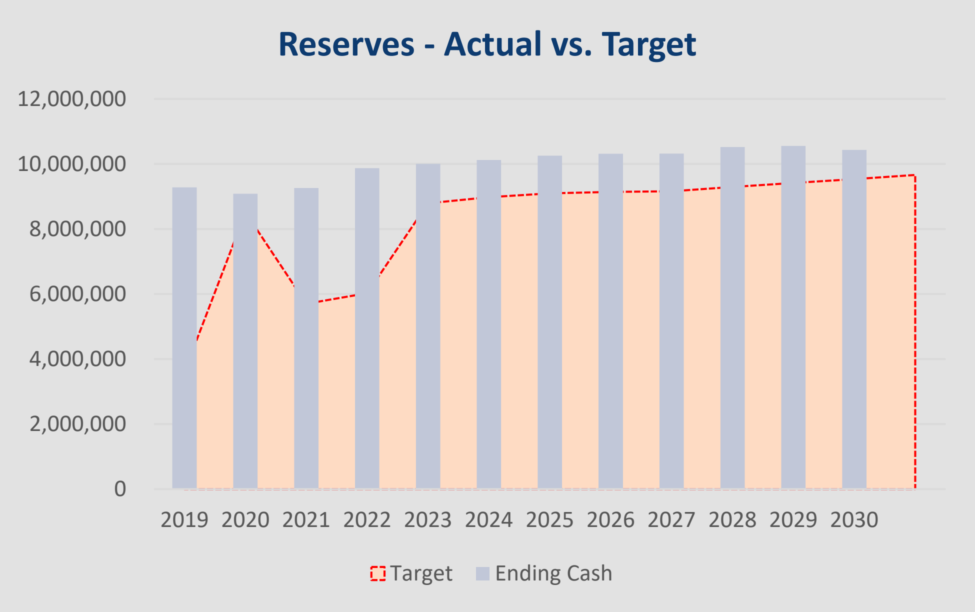
- Unregulated: TY20 SRS by Ehlers
  - ✓ Determines rates based on
    - ➢ O&M, Depreciation, and Rate of Return on Rate Base
    - ➢ See Introduction & Overview in Report
  - ✓ DOA Financial Review determined need for 63% increase
    - ➢ Stepped Adjustments
    - ➢ City Action: Resolution passed before FAA approval

	1st step	2nd Step	3rd Step
Effective	10/1/20	7/1/21	10/1/22
Incr. to Rate Revs	22%	22%	19%
Incr. to Avg. Residential	22%	22%	19%

Sewer – Future Planning



Are rates set to pay for financial obligations?



Are rates set to maintain adequate reserves?

Overall Impact on Avg. RES User

Year	Water					Sewer								Year
Year	Increase	Water Vol. Charge[1]	Water User Charge[2]	Utility Bill (Quarterly)	Change Over Prior Year	Increase	Sewer Vol. Charge[3]	Sewer User Charge[3]	Utility Bill (Quarterly)	Change Over Prior Year	Utility Bill (Quarterly)	Change Over Prior Year	% of 2018 MHI 40,260	Year
		Flat	Serv. + PFP				100CF	Gen Service						
2019		2.29	27.54	$ 55.84			3.11	20.40	$ 58.84		$ 114.68		1.14%	2019
2020	24.60%	2.80	36.78	$ 71.39		22.00%	3.88	23.87	$ 71.78	$ 12.94	$ 143.17	$ 28.49	1.42%	2020
2021	3.60%	2.91	37.95	$ 73.92	$ 2.53	22.00%	4.73	29.12	$ 87.57	$ 15.79	$ 161.49	$ 18.32	1.60%	2021
2022	9.78%	3.19	41.66	$ 81.14	$ 7.23	19.00%	5.63	34.65	$ 104.21	$ 16.64	$ 185.36	$ 23.87	1.84%	2022
2023	0.00%	3.19	41.66	$ 81.14	$ -	18.00%	6.64	40.89	$ 122.97	$ 18.76	$ 204.11	$ 18.76	2.03%	2023
2024	3.00%	3.29	42.91	$ 83.58	$ 2.43	0.00%	6.64	40.89	$ 122.97	$ -	$ 206.55	$ 2.43	2.05%	2024
2025	0.00%	3.29	42.91	$ 83.58	$ -	3.00%	6.84	42.11	$ 126.66	$ 3.69	$ 210.24	$ 3.69	2.09%	2025
2026	3.00%	3.39	44.20	$ 86.08	$ 2.51	0.00%	6.84	42.11	$ 126.66	$ -	$ 212.74	$ 2.51	2.11%	2026
2027	0.00%	3.39	44.20	$ 86.08	$ -	0.00%	6.84	42.11	$ 126.66	$ -	$ 212.74	$ -	2.11%	2027
2028	3.00%	3.49	45.52	$ 88.67	$ 2.58	3.00%	7.05	43.38	$ 130.46	$ 3.80	$ 219.13	$ 6.38	2.18%	2028
2029	0.00%	3.49	45.52	$ 88.67	$ -	0.00%	7.05	43.38	$ 130.46	$ -	$ 219.13	$ -	2.18%	2029
2030	0.00%	3.49	45.52	$ 88.67	$ -	0.00%	7.05	43.38	$ 130.46	$ -	$ 219.13	$ -	2.18%	2030
											TOTAL Δ	$ 104.45		

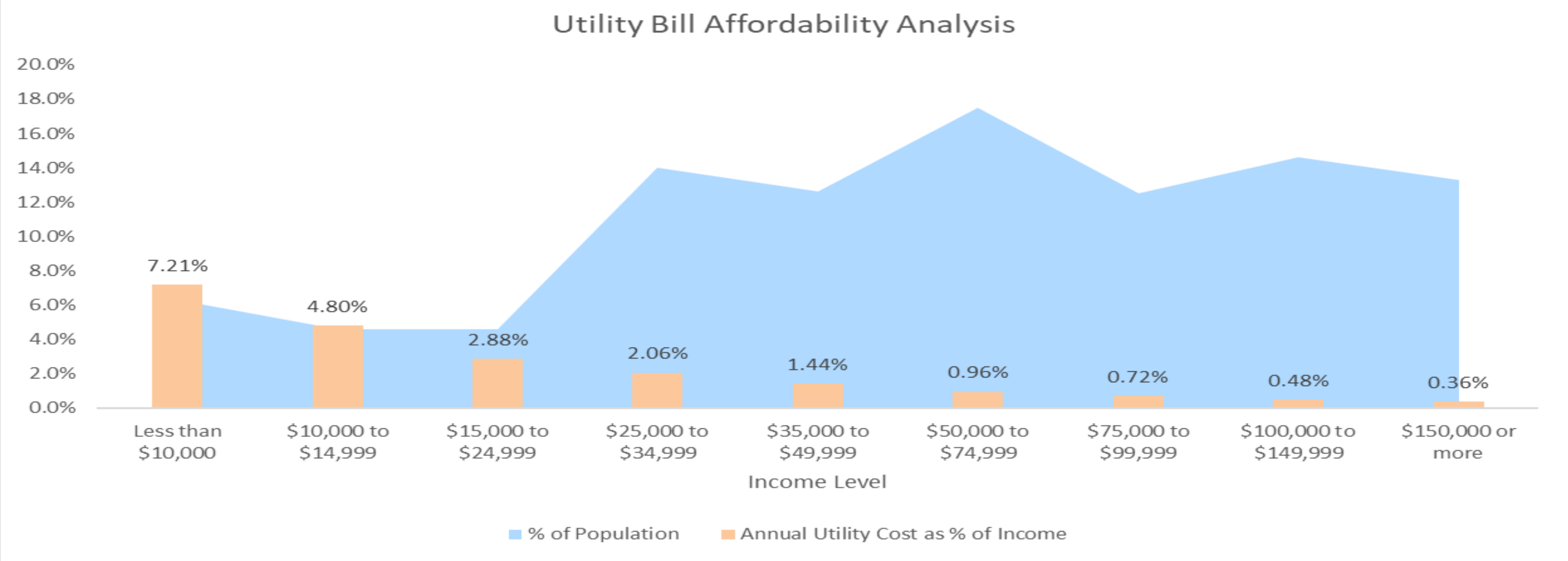
Notes:

1. Current water volumetric rate is $2.29/100CF.
2. The water user charges include a monthly service charge of $17.07 plus a public fire protection charge of $10.47 for a 5/8 inch meter.
3. The current Sewer volumetric rate is $3.11/100CF. Current General Service Chars is $20.40 per quarter for 5/8" meter.
4. The usage is assumed to be 12.36 CCF per quarter.

Legend:

2024 is the final year of the furnished CIP.

EFCN Utility Bill Affordability Analysis



Notes:
1) Utility Cost taken as a 5-year average of water and wastewater bills for an average (5/8"; 12.36 CCF/qtr.) Residential User.
2) City Income Level from U.S. Census Bureau's American Community Survey
3) 15.5% of residential customers are estimated to have less than $25,000 of income. These households will have spent more than 2.88% of their income under the 5-year average for this plan of $720.54 (2020-2024).

PRESENTER

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