

SPECIAL MEETING OF THE WATER AND LIGHT COMMISSION

October 27, 2010

Draft

Commission President Allwardt called the Special Meeting of the Water and Light Commission to order at 5:00 P.M., with Commissioners Bob Fahrbach, Joe Guidote, Don Merkes, and Joanne Roush present on roll call. Also present were Melanie Krause, Co-General Manager/Business Operations; Dick Sturm, Co-General Manager/Engineering and Operations.

Item II. The motion by Comm. Roush, seconded by Comm. Fahrbach, was unanimously approved on roll call at 5:00 p.m. to convene into Closed Session pursuant to Section 19.85 (1) (e) of the Wisconsin Statutes for the purpose of deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. RE: Bargaining

Comm. Fahrbach departed at 5:45 pm. After discussion, the motion by Comm. Guidote, seconded by Comm. Roush was unanimously approved at 5:47 pm to reconvene into Open Session of the Special Meeting of the Water and Light Commission.

Kristin Hubertus, Business Operations Accountant; Lonnie Pichler, Electric and Water Distribution Supervisor; Dave Rodriguez, Customer and Utility Services Manager; Jerry Sturm, Water Plant Supervisor; and John Teale, Technical Services Engineer joined the meeting.

Item III. People from the Gallery to be heard on any topic of public concern to the Utility:

Mary Nebel, 713 First Street, spoke regarding the strategic plan and budget and recommended including an executive summary and a percent of change column. She also thanked the Co-General Managers for the progress shown in the day-to-day operations.

Kathy Bauer, 709 Lincoln Street, commented on the budget, having a general manager position, the current financial crisis and its affect on all departments.

Tim Jacobson, 732 Paris Street, remarked on the October 24 newspaper article concerning the City of Menasha budget, tax levy increases, and the debt laden City. He also commented on bonuses and wage increased given to utility staff.

Scott Francis, 319 Cleveland Street, asked if there was going to be a presentation of the budget to the public. Comm. Allwardt responded there was not going to be any formal presentation, and Co-Manager/Business Operations Krause added the strategic plan and budget will be reviewed during the meeting. Mr. Francis added including a column with percentage of change was a good idea.

Nick Oleszak, Menasha Police Department – commented on loss of staffing, cuts in the capital budget, and deferment of equipment purchases at the Police Department all as a direct result of the debt service from utility issues. This affects the delivery of service that the police department is able to give to the community.

Commission President Allwardt responded to some of the comments from the gallery. He made it clear there have been no bonuses distributed to non-represented employees for two years and there are none anticipated for this coming year as well. The raises in 2010 for non-represented employees were held at about the same level as what the City raises were for non-represented employees. Union employee wages honored the contract. This year a new contract is being negotiated and efforts will be made to keep everything in line with the rest of the economy.

Item IV. 2011 Budget Review and Approval – Mrs. Krause reported the Strategic Management Plan incorporated the items discussed at the September 21 strategic meeting. The investment funds listed on the cash flow statements have an investment policy with a purpose, use, sources of funds, and investment options.

The summary Electric Cash Flow Analysis shows all the transactions that are unrestricted and come out of the revenue and depreciation reserve. On the Generation Income Statement, some administrative costs exist for staff time but the employee pension and benefits is comprised of the Unfunded Liability that will stay with generation until it is paid off.

The sales of electricity numbers in the electric Distribution Income Statement are based on the assumption that for 2011 we would have a 1.57% increase in consumption over 2010, mostly in industrial sales. The electric budget was based on current operations because the impact of the WPPI Energy sale/leaseback plan should be fairly neutral. Once the sale/leaseback transaction is completed the cash flow statement will be reviewed to make sure there is adequate funding for the projects.

During the discussion of future acquisitions, it was the consensus to move the Deerfield Avenue acquisition from 2011 to 2012. In the Business Operations area, it was decided to move the purchase of one vehicle from 2011 to 2012. For the proposed computer portion, the Commission requested verifying potential equipment purchases relating to cyber security and requested additional information prior to proceeding with the back-up server item.

The summary Water Cash Flow Analysis shows all the transactions that are unrestricted and come out of the revenue and depreciation reserve. The Safe Water Drinking Loan for the Water Plant construction project can only be reimbursed currently up to the 97% level which leaves a balance unfunded until the DNR releases the project; it is estimated that the project will be released by the beginning of the year.

Several main projects have been included in the 2011 budget because of the amount of breaks and the cost of the street repairs. There have been discussions with the City on deferring some street repairs in order to allow some additional time to get water main in the ground and minimize the cost impact to the Water Utility. Funding was requested from Safe Drinking Water for main replacement but the priority scoring was very low and funding was not allocated.

The hydraulic study of the water distribution system will be discussed at the November Commission meeting. Based on details of the report, a decision can be made on how to proceed with replacing the Manitowoc water tower instead of spending the money on repairs and

painting. The Commission changed the 2011 capital item for relocation of the low lift pumps to \$10,000.

One condition of the WPPI Energy sale/leaseback is that the existing 2005 combined electric and water bonds have to be refinanced, repaid or defeased. This debt is not callable until 2017 and the funds would have to be set aside in a defeasance account designated for that purpose. Given the financial position of the City and Utility it is unknown if we will be able to issue bonds to refinance the debt. The cost of this debt in the market could be as high as 8% compared to the current 4% on the bonds. Another option to consider for refinancing would be the State Trust Fund. The annual impact to water for a 15 year debt would be \$37,369 for the State Trust Fund compared to \$82,291 in the market. This amounts to 1 – 1.5% in rates.

Telecommunications Utility – revenues from the new fire station starting in February were included in the budget, but the budget does not reflect a price increase for 2011. Staff recommends consideration of a 3% increase on internet and dark fiber service to meet the rising costs since the rates have not changed since inception. The Commission requested rate comparisons prior to considering a rate increase. It was also the consensus to move \$6000 for outside services – marketing strategy from 2011 to 2012 and to considering contacting someone within the UW system regarding a marketing intern.

The Energy Services budget reflects the agreements with the City for the Koslo and Jefferson Park lighting projects.

The cash flows reflect a pay increase of 1.5% with the same level of benefits. However, the contract is currently being bargained and the full impact on the budget is not known. The health insurance increase for 2011 is 7% due to medical inflation at a cost of almost \$35,000.

The motion by Comm. Guidote, seconded by Comm. Merkes, was unanimous on roll call to approve the 2011 budget as amended with salary discussions to be held at a later date.

2010 Vehicle Purchase and Telecommunication Rates – these items were discussed as part of the budget and no further discussion was needed.

Item V. No one from the Gallery was heard on any items discussed at this Meeting.

Item VI. The motion by Comm. Allwardt, seconded by Comm. Roush, was unanimously approved on roll call to adjourn at 9:55 p.m.

By: MARK L. ALLWARDT
President

JOSEPH P. GUIDOTE
Secretary

NOTE: THESE MINUTES ARE NOT TO BE CONSIDERED OFFICIAL UNTIL ACTED UPON AT THE NEXT REGULAR MEETING, THEREFORE, ARE SUBJECT TO REVISION.