

PROCEEDINGS OF THE CENTRAL BROWN COUNTY WATER AUTHORITY

Pursuant to §19.84 Wis. Stats, a regular meeting of the Central Brown County Water Authority **Board of Directors** was held on Wednesday, August 23, 2023 at the Town of Ledgeview Community Center, 3700 Dickenson Road, De Pere, WI, and via video conference.

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| Members Present: | Allouez – Chris Sampson Bellevue – Ben Krumenauer De Pere – Scott Thoresen (video) Denmark – Susan Selner Lawrence – Kurt Minten (video) Ledgeview – Sarah Burdette |
| Excused: | Howard |
| Also Present: | Gary Rosenbeck, McMahon Nic Sparacio, CBCWA General Manager |

The meeting was called to order at 3:00 p.m. by President Sarah Burdette of Ledgeview.

Roll Call:

Roll Call was taken as recorded above. (Attendees present via video conference are noted above with “video.”)

Approval of Agenda:

1. Approve agenda
Motion made by Allouez, seconded by Denmark to approve the agenda.
MOTION UNANIMOUSLY APPROVED

Approval of Minutes:

2. July 26, 2023 regular meeting
There were no revisions to the draft minutes.
Motion made by Bellevue, seconded by Lawrence to approve the minutes of the regular Board meeting of July 26, 2023.
MOTION UNANIMOUSLY APPROVED

Public Comment and Appearances:

3. None.

Administrative Actions & Reports:

4. Communication Planning
Nic Sparacio reported on progress with the communication planning project. “Boosting” a recent video post proved to be successful on the social media page. Work continues on the written media release and local officials’ presentation, which are both nearing completion.

5. Report on MPU water rate case

Sparacio presented an update on the Manitowoc Public Utilities (MPU) water rate case. He reviewed the timeline of events leading up to the cooperative rate case process with MPU, the key issues for the Public Service Commission (PSC) hearing process, and the range of possible future water rates pending the final outcomes. The Board discussed the potential timing for a final decision on the rate case. This will depend on when the item is placed on an upcoming agenda for a meeting of the PSC.

6. Presentation and discussion on Preliminary 2024 Budget

Nic Sparacio presented the preliminary draft of the *2024 Annual Budget, Capital Improvement Program, and Member Cost Allocation*. He provided an overview of the 2024 budget goals and influences, water sales history and trends, and the proposed 2024 expenditures, revenues, rates, and resulting Member charges. Some highlights of the preliminary budget include:

- Increase in projected water consumption. The total budgetary estimate for 2024 is 190 million gallons higher than the 2023 estimate, or just over a 7% increase. Charter Members are estimating an increase of 90 million gallons in total water consumption over their 2023 estimate. The Village of Denmark estimate has also increased by 100 million gallons as they are now anticipating the start of water service after completion of the connection station in early 2024.
- Possible turning point in the water consumption trend. If 2023 water use continues on the same path, this will be the third year in a row of increased water consumption. This is enough to change the long-range projections from steady-to-declining to steady-to-increasing. The very low precipitation in spring and early summer had an impact on water use for this year, but some of the increase can also be attributed to new growth.
- Decrease in the Charter Member water purchase rate. The proposed Charter Member rate is \$4.82 per 1,000 gallons, or a \$0.05 decrease under 2023.
- Increase in the Customer Member rate. The proposed Customer Member rate for Denmark is \$2.47 per 1,000 gallons as set by the terms of the New Member Contract.
- Increases in capital project expenses. Capital project costs are the largest dollar increase in the 2024 proposed budget. Major capital projects include the ductile iron pipe survey, design, and protection project and extending the Lake Michigan shoreline revetment. It is expected that some of the capital budget numbers may yet be refined, and that a substantial portion of the capital program will be funded in a way that does not impact the rates.
- Increases in operational expenses. The 2024 proposed budget reflects continued operational cost increases. This consists mainly of increased volume of wholesale water purchased from MPU to meet projected consumption, the increased wholesale water rate (pending the PSC rate case results), and the asset management planning project. The higher alternative wholesale water rate was used to create the preliminary budget, so it is possible that this expense could be reduced.

- Use of Unrestricted Cash. The 2024 budget proposes to use \$425,000 of unrestricted cash toward the capital improvement program. This still maintains a healthy balance of unrestricted cash and helps defray the rate impact of the capital expenses.
- Maintenance of 37%* of annual expenses as unrestricted cash. The unrestricted year-end cash projection in this budget meets and exceeds our goal of maintaining at least 25% of annual expenses. [**Note that the percentage of unrestricted cash has been corrected in the minutes. An error in the calculation was found after the Board meeting concluded. It was presented as 40%, but the correct figure is 37%.*]

Susan Selner asked if the projected future water consumption includes the Village of Denmark. Sparacio responded that it does not yet include Denmark. Making that change to the projection is a work in progress. Scott Thoresen asked why the list of budget challenges includes a slow-down in the pace of new construction. This is not the case from his viewpoint. Sparacio responded that the number of new connections reported by the Members reached an all-time high in 2020 and 2021. Since then, the number of new connections has dropped off, but is still at a healthy level. It may be that the newest wave of development has not yet materialized into new water system connections, so that may yet be coming in future reporting.

Chris Sampson asked what impact the PSC rate case decision could have on the wholesale water rate with MPU. Sparacio responded that the disputed portion of the revenue requirement being promoted by PSC staff has a value of about \$240,000. While the rate case decision is an important factor in the wholesale water purchase expense, some of the increase is also due to rising pass-through costs, like energy and chemicals, at the treatment plant. The expense also includes a small buffer amount in case water consumption exceeds budget.

Thoresen asked whether using the balance of unrestricted cash to soften the water purchase rate should be considered. Sparacio responded that he is considering ways to return funds to the Members. However, the Water Authority's long-range financial model warns against reducing the rate too steeply, as it may require sharp increases in future years in order to avoid violating bond covenants. A better way to do this is to maximize the operational rate adjustment as part of the year-end true-up. The Board continued to discuss the history of rate smoothing with the 2014 debt refunding, plans for refunding again in 2024, and the expenses that could yet be adjusted within the proposed budget as more information becomes available.

Ben Krumenauer asked whether there are needs for additional staffing at this point or any other potential needs that are not included in this budget proposal. Sparacio responded that he believes the current staffing approach meets the Water Authority's foreseeable needs. The ongoing discussion of emergency back-up supply considers whether the Authority may increase its operational responsibilities, but much discussion is still pending on this study. He is not aware of any other budgetary needs at this time that are not already included in the budget proposal for next year.

Sparacio outlined the next steps in the budget review process. If the Board is comfortable proceeding with the budget proposal, the Member hearing can be set for the September Board meeting. He is also available to meet with local Boards and Councils upon request. Burdette thanked the Board for the questions and Sparacio for the thorough presentation.

Motion made by Ledgeview, seconded by De Pere to accept the Preliminary 2024 Budget and to proceed with the member hearing at the September Board meeting.

MOTION UNANIMOUSLY APPROVED

7. Financial report

Sparacio presented the July financial statements. He noted that budget and finances are tracking as expected. He pointed out that the timing of the monthly bills impacted some of the financial statements. As an example, now that the bill payment list is complete, the water purchase expense for this year as compared to last year is a better comparison and accurately reflects that we are using more water this year. Selner asked for clarification on the insurance expense categories and what the auto coverage includes. Sparacio responded that the budget categories did change with the new insurance carrier, and the auto coverage is for the Authority's use of his personal vehicle and the use of any rental vehicles.

Motion made by Allouez, seconded by Denmark to approve the financial report.

MOTION UNANIMOUSLY APPROVED

8. Bill payment list

Burdette noted that the bill payment list was emailed out this morning. Sparacio confirmed that all Board members received it and reported that the August bills are typical for this time of year.

Motion made by Bellevue, seconded by Lawrence to approve the bill payment list.

MOTION UNANIMOUSLY APPROVED

Technical Committee Recommendations:

9. Approval of Memorandum of Understanding for Method of Calibrating the Authority Flow Meter

Sparacio reviewed the history of the Authority flow meter that MPU uses for billing purposes. Now that MPU has developed a reliable method for calibrating the large meter at the Finished Water Pump Station (FWPS), MPU can return to using this meter for billing. There are several advantages to using this meter including the fact that the Denmark connection will be located prior to the Master Meter Station meter, which is currently being used for MPU billing purposes.

He then explained that the MOU lays out the terms for regular calibration and for the transition back to the FWPS meter. The Water Authority Engineer has been involved throughout this discussion, has reviewed and approved the method of calibration, and has reviewed and approved the terms of the MOU. The Technical Committee reviewed the MOU at its August meeting and is recommending approval to the Board.

Motion made by De Pere, seconded by Lawrence to approve the Memorandum of Understanding for Method of Calibrating the Authority Flow Meter and to authorize execution by the Board President and General Manager.

MOTION UNANIMOUSLY APPROVED

Project Update and Status Reports:

10. Engineer's report

Gary Rosenbeck reported on progress with the emergency back-up supply study and on seeking cathodic protection services for the ductile iron mains. We expect the September Technical Committee meeting to include detailed discussion on both of these items including evaluation of proposals in response to the recent RFP. Rosenbeck then reported on a brief power outage that occurred recently at the treatment plant in Manitowoc. The presence of Central Storage helps minimize the impact of such power outages, but the Water Authority may want to obtain an updated surge analysis that models this for future planning. He added that Sparacio has been working to ensure that MPU provides future maintenance planning and capital planning for the transmission main, and these efforts have been fruitful.

11. Manager's report

Sparacio reported on items he has worked on over the last month and areas he plans to work on in the month ahead. He noted that the power outage in Manitowoc was handled well by MPU, and by the water system equipment, and did not interrupt service in any way. He also continues to work with the property owner easement violation first reported in July. Sparacio then updated the Board on the discussion with MPU related to additional PFAS sampling. Although the very good sampling results in the first and second quarters led the Wisconsin Department of Natural Resources to require no additional sampling, the Board would like to continue sampling for the third and fourth quarters of 2023 in order to obtain a full year of data. MPU has agreed to coordinate this on our behalf.

Old Business

12. None

New Business

13. None

Next Meeting:

The next meeting is scheduled for September 27, 2023. Potential agenda items include the Member Hearing for the 2024 budget and rates.

Adjourn:

Motion made by Allouez and seconded by De Pere to adjourn at 4:20 p.m.

MOTION UNANIMOUSLY APPROVED

Respectfully submitted,
Nicolas Sparacio