



October 23, 2017

TO ALL UTILITY COMMISSION MEMBERS:

GERRY WARNER  
BOB MULLEN  
JERRY FREY  
DAN CASEY  
PAT BECKER

This is to inform you that there will be a Utility Commission Meeting on **October 30, 2017 at 3:30 p.m.** in the Administrator's office at the Civic Center.

1. Call to order
2. Adoption of agenda
3. Approval of previous commission meeting minutes (October 11, 2017)
4. Public Comment
5. Community Solar Discussion
6. 2018 Budget Approval
7. 2018-2022 Capital Improvement Plan Update
8. Collateralization of Utility Funds
9. Bidding for Replacement of Truck #63
10. Staff Reports
11. Communications and miscellaneous correspondence
12. Adjourn

A handwritten signature in black ink, appearing to read "Mike Darrow", is positioned above the printed name.

Mike Darrow  
Utility Manager

A majority of the members of the New Richmond City Council may be present at the above meeting.

Pursuant to State ex rel. Badke v. Greendale Village Board, 173 Wis. 2d 553, 494 N.W. 2<sup>nd</sup> 408 (1993) such attendance may be considered a meeting of the City Council and must be noticed as such, although the Council will not take action at this meeting.

## NEW RICHMOND UTILITY COMMISSION MINUTES

**October 11, 2017**

The regular meeting of the New Richmond Utility Commission was held on October 11, 2017 at 3:30 p.m. at the Civic Center.

Pat Becker called the meeting to order at 3:30 p.m.

Members Present: Jerry Frey, Bob Mullen, Dan Casey, Gerry Warner, and Pat Becker.

A motion was made by Bob Mullen to approve the agenda, seconded by Gerry Warner, and carried.

A motion was made by Jerry Frey to approve the minutes of the September 6, 2017 meeting, seconded by Dan Casey, and carried.

A motion was made by Gerry Warner to approve bills and disbursements from September 2017, seconded by Dan Casey, and carried.

**Public Comment:** None

### **Community Solar Discussion:**

An update on the Community Solar Garden was given by Rae Ann Ailts. The project has been well received and supported by the community, with 25% of shares sold to date. The goal in the coming year is to continue to increase the awareness and support of the project. During budget conversations, several ideas for increasing participation in community solar were discussed.

Additionally, River Falls Utilities has taken some new approaches to community solar within the last year. Kevin Westhuis, Utility Director for River Falls Utilities, has been invited to the next utility commission meeting to discuss their programs, and the impact experienced in River Falls.

### **2018 Budget Update:**

Rae Ann Ailts gave an update on the 2018 Budget. Over the past several months staff and the Commission have discussed the needs of the Utility. Rae Ann presented printouts showing projected 2017 and proposed 2018 Revenues, Expenses, and Changes in Net Position for the Electric, Water, and Sewer Departments. Staff will be looking for formal budget approval during the October 30, 2017 commission meeting.

Additionally, staff will be conducting a number of Community Engagement sessions throughout the month of October and November. The City and Utility operating needs, as well as capital needs will be highlighted. The key focus is to engage as many residents, businesses and other stakeholders through presentations, activities, social media updates and online survey's. The intent is to make the process transparent, engaging, collaborative and fun. Commission members were invited to join staff throughout the coming months as the budget is brought to the community.

### **Capital Improvement Plan Discussion:**

An update on the Capital Improvement Plan was given by Rae Ann Ailts. During the September 30<sup>th</sup> Utility meeting, a list of projects was provided for consideration under the 2018-2022 Capital Improvement Plan (CIP). These projects were identified by staff, council members, commissioners, and by the community over several months. It also included projects carried over from the previous plan. The CIP is a process which stretches over many months, but begins with the identification of projects and establishing of themes. This aids in prioritization, and then preparation of a financial plan providing a roadmap for implementation of the projects. Staff began prioritizing projects based upon a color coding methodology during the September Council work session. This will provide a

quick glance into projects which are need based versus wants. Once prioritization is complete, it will be brought back to the Council and Commission to help facilitate the process. In addition, the community will be asked for their input to the Capital Improvement Plan during the community budget outreach.

### **Drinking Water Analytical Report:**

New Richmond's Water Utility is regulated by the Wisconsin Department of Natural Resources, and as a condition of our permit to operate a municipal waterworks system, certain testing and analysis is required. In the year 2017, a wide range of testing was required for the drinking water system, including testing for lead. Staff compiled the results of the tests, and Jeremiah Wendt presented a summary of those results to the Commissioners. All tests were in the acceptable range.

### **Department Reports**

#### **Bob Meyer, Water Superintendent:**

Water Department continues to remain very busy. Flow-Rite is currently in New Richmond doing yearly sewer main televising, and man hole inspections. Jetting is ongoing. Locates continue, as well as residential water and sewer inspections. Meter work and cross connection inspections continue. Pat Howell is customizing the new meter van, with completion expected this week. Cooper Motors project inspections have begun. North 4<sup>th</sup> Street project is complete, except for a few miscellaneous items. Inspections on Cassandra Drive have begun. Jon Evans has begun fall flushing.

#### **Steve Skinner, Lead Wastewater Treatment Plant Operator:**

Fall cleaning has begun at the wastewater treatment plant. The disinfectant season is over. The disinfectant equipment has been cleaned, and put into storage for the winter. Cleaning of tanks has begun. The bypass gate developed a breach a few weeks ago. Staff repaired the breach, but it did not hold. Consequently, a contractor was hired to do the repair. Staff continues to work on Well #3 project, involving the installation of a new generator. Trees have been removed, and stumps ground. Currently working on forming the slab, and installing the underground conduit. Transplanting the first set of trees took place today, and went well. Steve Skinner, who is on the Board of Directors for West Central Biosolids, attended a trade show in Chicago the beginning of October. The sole purpose was to research and look into options for sludge storage, such as sludge dryers. After attending the trade show, Steve concluded the current options are extremely expensive. Steve will research other technology options.

#### **Tom Rickard, Electric Superintendent:**

Tom Rickard gave updates on ongoing projects. North 4<sup>th</sup> Street Project is basically done except for some cleanup. Underground work has been completed at Paperjack Bend. Staff will go back after it freezes to complete remaining work. Staff is currently working on underground work for Phillip's line relocation. This project is approximately 20% complete. A contractor is working on the overhead relocation. Lighting on Cernohous Avenue is scheduled to begin soon. Work has been completed for Best Western. Project for Johnson Ford is set to begin next week. The rebuild of the lines on the west side will be completed in 2018. Staff continues to remain busy with numerous new services, along with conversions from overhead lines to underground for existing homes. Upcoming work will include Richmond Prairie Condos on E. Richmond Way. The underground work for Hirsch sub-division has been completed. Remaining work will be completed after it freezes. A street light was installed on Pershing Avenue and Ponderosa Avenue. The Industrial Park loop is 90% complete. This is another project scheduled for completion after freeze-up. The street lights located in Willow River Bluff will be replaced. Energis completed the five year maintenance on the Highview substation. Two original reclosures are out of tolerance, requiring replacement. Staff was able to get the substation back online with repairs scheduled for 2018. Kevin Blader, who was injured earlier in the year, is back to work at full capacity. Cody Wessink is a new hire and doing well.

#### **Jeremiah Wendt, Director of Public Works:**

An update on ongoing projects was given by Jeremiah Wendt. North 4<sup>th</sup> Street project is on schedule for completion the end of October. The design process for 125<sup>th</sup> Street has begun. This project will require minimal utility work, as it is primarily street re-construction. The project is scheduled for 2018 in partnership with Richmond Township.

**Rae Ann Ailts, Finance Director:**

The utility appreciation was held last week. Rae Ann extended a thank you to utility staff for their efforts in making the events run smoothly during the week. The attendance for the breakfast appreciation was low, however, there was a lot of foot traffic through out the week. Kits containing an LED light bulb and night light are available at the utility office for customers. Two shares of solar energy were given away. One to a residential customer, and one to a commercial customer. The new utility website is scheduled to go live on November 1<sup>st</sup>. Joseph Owens, Manager of Government Relations with WPPI, has arranged for a round table discussion with Shelia Harsdorf, Wisconsin State Senator, on October 23, 2017 from noon to 1:00 p.m. Invitation to attend was extended to the Commissioners. Currently Weston Arndt will be attending the round table. At this time municipalities can draw attention to any concerns, etc. they may have. The next utility commission meeting will be held at 3:30 p.m. on Monday, October 30, 2017. The annual Utility Commission Dinner will follow.

**Weston Arndt, WPPI Energy Services Rep:**

**Customer Work**

Assisted Federal Foam in evaluation of LED lighting upgrades and the submittal for energy efficiency incentives. Phillips-Medisize has applied to WPPI Energy's RFP for Energy Efficiency program in conjunction with their facility expansion. Lakeside Foods had questions about voltage and power factor. We've provided some feedback and expect to adjust the transformer taps to boost their facility voltage. Westfields Hospital expressed interest in a technical study grant through WPPI Energy to evaluate air conditioning options for their facility. There have been several hangar owners at the NR Airport that have expressed interest in LED lighting upgrades.

**Wastewater Treatment Plant – BRIDGE Program**

The Focus on Energy's BRIDGE program offers financial incentives for low/no-cost measures and operational/scheduling changes that reduce demand and energy consumption at participating wastewater treatment facilities. Because of the efforts that Steve and Greg have undertaken at the plant, we expect to receive an incentive of approximately \$900 for the first 6 months of program participation. There is no cost to participate in the program.

**LED Lighting**

LED lighting technology costs continue to drop. For residential and small businesses, there are incentives for qualifying products provided to the retailers, who lower the sticker price of the products accordingly. For example, a box of 4 LED bulbs at Ace Hardware was listed for \$5. Each bulb is eligible for an instant discount of up to \$4. So this price is after the instant discount was applied.

CFL and LED products that are 60-watt incandescent equivalent compare as follows:

- CFL – 15 Watts, 7000 hour life expectancy, contains mercury
- LED – 9 Watts, 25000 hour life expectancy, no mercury

**Mike Darrow, Utility Manager:**

Absent.

There being no further business, a motion was made by Dan Casey to adjourn, seconded by Bob Mullen, and carried. The meeting adjourned at 4:35 p.m.



**To:** Utility Commission  
**From:** Rae Ann Ailts, Finance Director  
**Date:** October 25, 2017  
**RE:** 2018 Operating and Capital Budget Presentation

The proposed FY2018 operating and capital budget will be presented and discussed. The combined proposed Utilities budget for FY2018 is \$12,963,705 and incorporates the following highlights and notable changes:

**Revenue**

- Projected increase of 1.0-3.0% based upon specific Utility.

**General Operating Expenses**

- Health, dental & vision insurance premium costs remain at 2017 rates. Employee and employer cost share remain at 2017 level.
- Contracting of IT and Print Managed Services
- Proposed wage increase of 3%: occurring with the following splits 1.5% at 1/1/18 and 1.5% at 7/1/18
- Addition of one full time management analyst, one full time lineman (started in 2017) and one fulltime public works position shared with City

**Debt**

- Debt coverage exceeds bond resolution requirements for FY2018 for all utilities.

**Rate Analysis**

- Cash flow remains sufficient for FY2018 to support infrastructure.
- A rate review of all Utilities is proposed for FY2018

**Capital Budget**

- Proposed annualized savings of \$575K is projected for the combined utilities.
- \$807K in proposed FY2018 capital projects includes various infrastructure and pole replacement, two vehicle replacements, iPads for the field, manhole refurbishment, lift station control updates at Fox Run, sewer lining, thickening equipment replacement and sanitizing washer.



**TO:** Utility Commission  
**FROM:** Rae Ann Ailts, Finance Director  
**DATE:** October 25, 2017  
**RE:** Capital Improvement Plan 2018-2022

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During the Utility meeting an update will be given regarding the Capital Improvement Plan. Earlier this year the Council established general themes to aid in prioritization, these themes were:

- Safety, health, and general welfare
- Preserving the past, engaging the present, and ensuring the future
- Public/private partnerships,
- Economic development
- Fiscal responsibility.

Council directed staff to prioritize projects based upon a color coding system to aid in further prioritizing as there are certain projects which need to be completed sooner rather than later. For this reason, we must prioritize projects based on need. For example, an AC unit which is 20 years-old and will likely fail, or require extensive repairs in the next year, would be an item that has an immediate need of replacement.

Staff has reviewed the projects as directed using the following color coding prioritization:

Red = Project is in need of immediate replacement/repair. There is a direct impact on the safety or health of staff, residents, etc.

Yellow = Project is in need of replacement/repair soon, but not immediately, and can be addressed in the midterm.

Green = Project would be nice, but does not directly impact the safety or health of the community.

On Monday, we will review the CIP projects and corresponding color identification coding. We will also review potential sources of funding for these projects. Over the next several weeks, the Council and Commission will have the opportunity to review the projects and funding sources in greater detail, allowing staff the time needed to complete the balance of community engagement events. Upon completion of community engagement activities, staff will provide a summary of the community's priorities as it relates to capital projects at the November 13<sup>th</sup> regular council session and at the next Utility Commission meeting.



**TO:** Utility Commission  
**FROM:** Rae Ann Ailts, Finance Director  
**DATE:** October 25, 2017  
**RE:** Collateralization of City funds

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**Background**

The City of New Richmond and New Richmond Utilities currently utilizes a repurchase agreement to collateralize the funds of the City. Collateralization is where the Bank provides securities for the exchange of the City's fund. This is done to ensure, in the case of a default by the Bank, the City and Utility is able to collect on funds held by the bank. Our current repurchase agreement provides collateralization for up to one million dollars.

While the repurchase agreement has been effective in collateralizing the City and Utility funds, there are some limitations. For example, at year-end when tax collections peak, transferring of funds is critical to ensure proper collateralization is in place. Additionally, operational expenses associated with monitoring and purchasing corresponding securities is expensive, which reduces the rate of interest earned.

Staff has researched using a letter of credit instead of a repurchase agreement to secure funds. There are many benefits of moving to a letter of credit, such as, zero costs, less administrative burden at year-end, and rapid payout in the event of a default. Additionally, letter of credits are irrevocable. Staff has also consulted with our legal counsel, auditors and other municipalities, which utilize a letter of credit. The use of the letter of credit by municipalities continues to grow. We contacted the following municipalities, and they all indicated they have been very happy with the use of the letter of credit: City of River Falls, City of Hudson, County of Bayfield and City of Altoona. Additionally, our legal counsel and auditors have indicated a letter of credit meets all state and accounting requirements and standards.

**Recommendation**

Staff recommends approval to proceed in obtaining a draft letter of credit to be reviewed by legal counsel and our auditors. Upon acceptable review by counsel, auditors and staff will request authorization to proceed.



MEMORANDUM

TO: Utility Commission
FROM: Jeremiah Wendt, Director of Public Works
DATE: October 25, 2017
SUBJECT: Water Department Pickup Truck Bid

Background

One of the vehicles in the Water Department's fleet is a 2008 Ford F-250 with 103,500 miles. This vehicle is included in the 2018 capital budget to be replaced due to its age and condition. However, several upcoming potential repairs have motivated staff to try to schedule the replacement as soon as possible.

The current issues with the truck include:

Table with 2 columns: Issue, Possible Repair Cost. Rows include: Needs new tires - \$1,000; Using oil; Front End Ball Joints; Tie Rod Ends; Starter Replacement; Transmission shifting roughly.

As highlighted above, the potential costs for needed repairs are likely to be at least \$3,000 and could be significantly higher if issues with the engine/transmission are found to need major work.

Given the upcoming holidays, there may not be another Utility Commission until after the 1st of the year, and the lead time on a new truck is likely to be at least 8 weeks from the date of bid acceptance. With this in mind, staff is proposing to solicit quotes for a new vehicle from the three local dealerships, and is requesting authorization from the Utility Commission to accept the lowest bid that meets our specifications.

Staff will ask for competitive bids for trade in and will also explore the option to auction the existing 2008 Ford F-250 by Staff. Depending upon quotes staff will choose the option which maximizes the amount that can be recovered from replacing this vehicle. Kelley Blue Book indicates that the vehicle could be worth up to \$8,000 when it is sold.

**Recommendation**

Staff is requesting authorization to solicit bids for a ¾-ton pickup truck with standard cab and 8-foot bed, and to accept the lowest bid that meets our specifications provided that the total cost does not exceed \$35,000. Further, staff is recommending disposal of the existing Ford F-250 by the most competitive means.