

Town of Algoma Sanitary District #1
June 8, 2017

Regular Monthly Meeting.

- 1) Open regular monthly meeting.
- 2) Commission President Jim Savinski with Commissioners Chad Hayes and Peter Cernohous present called the regular monthly meeting for June to order at 12:00 p.m. Also present were Utility Director Kevin Mraz, District Accounting Manager Mike Claffey, and Utility Clerk Sara Gonzales. District Attorney Ray Edelstein was excused. Also in attendance were Tammy Brinkman from 5196 Sand Pit Lane and Ronald Jaworski from 5152 Sand Pit Lane for discussion on agenda item 7a).
 - a) Jim noted the District is using a tape recorder for maintenance of the minutes. No one else is using one.
 - b) Approval of the minutes of the previous meeting. **Chad made a motion to approve the minutes of the regular monthly meeting on May 11/second-Peter/carried unanimously.**
 - c) Approve cash receipts and investments for sanitary and water. **Peter made a motion to approve the cash receipts and investments for sanitary and water as submitted/second-Jim/carried unanimously.**
 - i) Note any investment changes. None. Mike stated he expects the Federal Reserve to raise interest rates by 0.25% the following week. If the District's current interest rates do not increase, staff will consider transferring funds to seek better returns. Mike also stated the interest rate for the Wisconsin Local Government Investment Pool account is now up to 0.70%, where the District has about \$365,000 invested.
 - ii) Note any balance adjustments. Mike mentioned one balance adjustment recorded a \$25 NSF fee for a bounced check and another removed a small Public Fire Protection Fee credit on a property that will now be charged on their water bills. **Jim made a motion to approve the balance adjustments as submitted/second-Peter/carried unanimously.**
 - e) Approve pending bills and previous disbursements for sanitary and water. Mike mentioned the following information regarding pending bills:
 - The first quarter invoice from the City of Oshkosh to treat about 57.77 million gallons (MG) of flow was \$34,790.68 which amounts to a quarterly rate of \$0.60 per thousand gallons.
 - Tony's Auto Collision invoice for the accident damage repair to the 2014 Dodge Ram was \$13,511.24. This amount was fully reimbursed to the District previously, including payment of the District's deductible and the cost of a rental truck by the responsible party. Kevin stated he is thankful no one was hurt and mentioned the cost of repairs totaled 45% of the vehicle's value and 65-70% of the value in repairs is required in order to declare the vehicle a total loss.
 - **Chad made a motion to approve the June pending bills and the May previous disbursements for sanitary and water as submitted/second-Peter/carried unanimously.**
- 3) Public Forum. There were two residents in attendance from the public and Jim suggested the meeting continue with agenda item 7a).
- 4) Commissioner Statements.
 - Peter stated the luncheon following the annual Town of Algoma parade was a great way to show appreciation to District employees and their families, and he would like to find an alternative way to do that since the parade will no longer occur. Jim added the Fire Chief explained to him that the Fire Department decided to discontinue the parade because of the lack of volunteers and the large cost associated with it and no guarantee the weather will cooperate. Peter added it often conflicts with high school graduation as well and suggested staff schedule a cookout for later in the summer.
 - Jim asked about the status of the little library and Kevin stated the resident in charge will contact the District once it is complete and ready to be installed.
 - Jim also asked whether the invoice for the repairs related to the rock blasting had been paid by the owner and responsible party, and Kevin stated the bill is still outstanding and due on June 12.
 - Kevin added the District sent the property owner who was discharging his sump pump hose into an open manhole a certified letter and added a late fee to the cost of the violation. Per the discussion with Ray at the previous monthly meeting, if this continues to remain unpaid, the District will have to follow the citation process.
- 5) Director's Report.
 - a) Review of District statistics.
 - The District released 23 water permits and 23 sewer permits year-to-date.
 - b) Correspondence.
 - The Commission changed the date of the next monthly meeting to Thursday, July 6 at Noon.
 - c) Status of 2017 projects.
 - Harbor Village Road & Lansing High Point Repaving: Kevin stated he received a quote from the paving company and is trying to coordinate the completion of this project within the next 30-40 days. Once these repairs are complete, the District will then relinquish any responsibility for the condition of these roads.
 - Oakwood Road Sewer Lateral Project: Kevin explained the District is working with a boring company and an excavating company to bore a new sewer lateral across North Oakwood Road for a resident planning to build a new house, with plans to complete this project by the end of June. He is also working with a sign company to coordinate a safe traffic pattern and keep traffic off the excavated area until the road can be asphalted.

- Mayberry Manor: Kevin stated he received approval from the Department of Natural Resources (DNR) for a water and sewer extension to serve this new building on Witzel Avenue. He is working with the developer to bid out the project and will require water calculations for the building before releasing the permits.
- City of Oshkosh Wastewater Treatment Contract: Kevin stated the District previously mailed the contract extension paperwork to the City, but has not received a response back from them at this time. Staff will monitor the City's agendas for any discussion they may have regarding the contact renewal.
- Sale of 7 Parcels Owned by Norm Mueller: Skipper Buds is purchasing these properties and will be closing next month. The District has not received any official plans for the garage or the grounds. The Mueller family will retain ownership of the strip mall. The meeting continued with agenda item 7b).

6) Old Business. None.

7) New Business.

a) Discuss and act on Sand Pit Lane watermain extension survey responses.

- The District completed a watermain extension survey in response to the Town of Omro's consideration to repave Sand Pit Lane within the next year or two. This would avoid duplicate expenses and cutting into a newly paved road if residents decide they are interested in making watermain available for an assessment cost of \$10,000 per parcel. The District received a response from all but one property owner on this road. There were three property owners that expressed interest in the municipal water system extension and the rest were not interested, two of which recently constructed new wells to serve their properties. The estimated cost to install municipal water service throughout the entire length of this street is at least \$200,000.
- Tammy Brinkman, owner of 5196 Sand Pit Lane, stated she is interested in having municipal water available to serve her property in the future but would not be interested in connecting to it at this time. Ronald Jaworski, owner of 5152 Sand Pit Lane, is considering rebuilding his house in approximately three years and would be interested in having municipal water service available to connect to at that time. He is unsure of the quantity or quality of the water from the well that currently serves the small cottage.
- The challenge with this project is the owner of a vacant parcel with 500-600 linear feet (LF) of road frontage on the south side of the road, who also owns six other parcels on this street, is not interested in developing or receiving municipal water service at this time. The Water Utility does not have adequate funds available to finance this project without receiving a sufficient amount of participation from area residents and there is no known public health issue to consider for this extension since participants in the District's 2013 Arsenic Study show two wells have no arsenic and one well has a level of around one part per billion (ppb).
- Chad asked for the cost to extend a watermain from the western part of the cul-de-sac to serve the Brinkman's parcel, and Kevin estimated it would require 400-500 LF of watermain at \$70/LF plus a fire hydrant for a total of about \$40,000. The District's long-term goal is to create a watermain loop to help serve Town of Omro customers. However, Kevin recommends the District not proceed with the project at this time due to the financial impact but to leave this area in the District's long-term plans as a potential watermain extension. Kevin added the District will notify the residents by mail that the extension will not be pursued at this time and explain that the District would require 70% participation from these homeowners in order to consider it in the future.
- Jim stated he realizes that since municipal water is not available, more residents would have to drill new wells if they experience a problem with their current well, and the substantial expense to drill a new well could cause them to not be interested in making municipal water available in the future. No formal action was taken on this item. The meeting continued with agenda item 4).

b) Discussion regarding the submittal of a conventional water rate case application to the Wisconsin Public Service Commission.

- Kevin stated while he anticipates water rates would remain similar to what they are now, one of the main purposes for filing this rate case is to allow the PSC to reinstate the District's water connection supply charge into its rate structure, similar to what was included prior to the consolidation for new Town of Omro customers for the cost of shared infrastructure such as the water tower and well house facilities. For new extensions, he would like developers to pay for the cost of the watermains and the homeowner to pay this water supply charge at the time of the connection permit application instead of including it in the water special assessment.
- Kevin stated he is considering whether to ask what adjustments the PSC could make to the District's water rate structure or the Simplified Rate Case (SRC) requirements, or whether the PSC would allow the District to adjust the ratio of its contributed versus utility-financed fixed assets, rather than being required to file a full conventional rate case application. The District is a voluntary water system that allows some special assessments to be deferred, and the outstanding deferred special assessments are presenting a challenge for the District. The District is making bond payments for the cost of installing Water Utility infrastructure, with the District's water rates designed to cover 30% of this cost. If the PSC denies this request, he would try to save on some of the cost the District would incur for going through this process by doing as much of the work internally as possible, with the goal of structuring rates to qualify to file for SRCs in the future. Currently, the PSC's filing threshold for a SRC is a 5.2% rate of return, and the Water Utility has done pretty well over the last two years by earning a rate of return of around 6.2% in 2016.

- Jim asked about the estimated cost for a conventional rate case, and Kevin stated outside services would likely total \$5,000-10,000 and the PSC could charge around \$5,000, plus District staff time. A 3% increase in water rates would likely only generate additional revenue of approximately \$15,000, meaning it would take the amount of one year's rate increase to pay for it. The District's cash flow projections indicate annual bond payment shortfalls of \$300,000-\$500,000 over next five to ten years, so it would be ideal for water rates to follow inflationary increases so the District does not fall behind.
 - Kevin stated he will keep the Commission posted on the progress of this at a future meeting.
- c) Discuss and act on 2016 Consumer Confidence Report (CCR) prior to publishing. Jim stated he is impressed with the format and content of this year's CCR and appreciates the work that goes into generating it. Kevin wants to make sure residents understand the District does not have any lead services or a lead residual problem. The District is responsible for the water quality up to the drinking water tap and has to sample ten locations as a part of its lead and copper sampling requirements. **Jim made a motion to approve the District's 2016 CCR for publishing as submitted/second-Chad/carried unanimously.**
- 8) **Jim made a motion to adjourn the regular monthly meeting at 12:45 p.m./second-Chad/carried unanimously.**

Respectfully Submitted:

Michael Claffey, Accounting Manager

Approved:

James Savinski, President