

Utilities Committee

Wednesday, November 7, 2018

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1 The Meeting of the Utilities Committee was called to order at 7:00 p.m. on Wednesday,
2 November 7, 2018. It was noted that the meeting had been announced and a notice posted at
3 City Hall.

4
5 Roll call was taken, with the following members present: Ald. Jerry Every, Ald. Jim Olson, Ald.
6 Kim Smith, Village of Holmen Trustee Brandon Cain, Village of West Salem Trustee Leroy
7 Brown

8
9 Also Present: City Administrator Eric Rindfleisch, Mayor Joe Chilsen, Financial Services
10 Director/Treasurer Fred Buehler, City Engineer Jarrod Holter, Planner/Zoning Inspector Katie
11 Aspenson, Public Works Manager Jim Prindle, Ald. Diane Wulf, Brad Viegut, Managing
12 Director of Baird Public Finance

13 14 **Item 2 – Approval of minutes from the previous meeting**

15
16 Motion by Brandon, second by Ald. Smith, to approve the minutes from the previous meeting as
17 printed and on file in the City Clerk’s Office.

18
19 On voice vote, motion carried.

20 21 **Item 3 – Public Input (limited to 3 minutes/individual)**

22
23 Ald. Every called three times for anyone wishing to provide public input and closed that portion
24 of the meeting.

25 26 **Consideration and possible action on the following items:**

27 28 **Item 4 – MASS TRANSIT**

- 29
30 a. Shared Ride Transit:
31 1. Financials (Justin Running or Jeff Burckhardt/Fred Buehler)

32
33 Fred reported the September 2018 Shared Ride statistics:

- 34
35 • **West Salem Trips:** 635 (an increase of 113 from September 2017)
36 • **Holmen Trips:** 951 (a decrease of 137 from September 2017)
37 • **Onalaska Trips:** 2,624 (a decrease of 539 from September 2017)
38 • **Total Trips:** 4,210 (a decrease of 563, or 11.80 percent, from September 2017)
39 • **MTU Passes:** 590 (a decrease of 144 from September 2017)
40 • **Agency Trips:** 880 (a decrease of 19 from September 2017)
41 • **Year-to-Date Trips:** 42,711 (a decrease of 1,276 from September 2017)

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- 42 • **Revenue:** \$144,438 (a decrease of \$6,816, or 4.51 percent, from September 2017)

43

44 Motion by Ald. Smith, second by Leroy, to accept the Shared Ride Transit Financials and place
45 them on file.

46

47 On voice vote, motion carried.

48

- 49 b. MTU Transit financials (Adam Lorentz)

50

51 Fred told committee members Adam Lorentz was unable to attend this evening's meeting and
52 said he had spoken to Adam about how and when the committee wants the MTU Transit
53 financials, as well as how and when Adam needs to attend Utilities Committee meetings.

54

55 Fred shared the following statistics:

56

- 57 • **Route 9 2018 rides:** 13,069, compared to 16,214 in 2017. This is a 19-percent decrease.
- 58 • **Total Onalaska passengers in 2018:** 49,092, compared to 66,218 in 2017. This is a 26-
59 percent decrease.

60

61 Motion by Ald. Smith, second by Ald. Olson, to accept the MTU Transit financials and place
62 them on file.

63

64 On voice vote, motion carried.

65

- 66 c. Holmen Transit Input (Holmen Rep.)

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68 No report.

69

- 70 d. West Salem Transit Input (West Salem Rep.)

71

72 No report.

73

- 74 e. Onalaska Transit Input (Onalaska Rep.)

75

76 No report.

77

78 **Item 5 – UTILITIES**

79

- 80 a. Options regarding sewer rates

81

82 Fred said that at its October 9 meeting, the Common Council voted to proceed with a 3-percent
83 standard rate case adjustment for the water utility with the Public Service Commission effective

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84 for 2019. Fred said, “When Brad put that against the cash-flow pro forma, in order to do
85 Mortgage Revenue Bond Issues, one of the requirements is you have to have 125 percent of
86 revenues to support the backing of the debt that it is going to be incurring. When [Brad] looked
87 at the year of 2019, it was not reaching the 125 percent. I approached HABCO for a fact that if
88 we were to look at a 3-percent across the board [increase] with the sewer rate, what the impact
89 would be.”

90

91 Fred noted Monica Hauser of Hawkins Ash CPAs had performed a calculation, and he directed
92 committee members’ attention to the back of document Monica had prepared. This side of the
93 document shows that with a 3-percent increase, the coverage ratio for both 2019 and 2020 would
94 exceed 1.25 percent. Fred said the document he had distributed this evening shows another
95 option, and he made the following points:

96

- 97 • The meter for the January 1 billing is read on approximately December 7.
- 98 • The meter is read again on approximately March 7. This is called the “Winter
99 Consumption,” and then the sewer rate is calculated. Fred said all the classes
100 (Residential, Commercial, Multifamily, Governmental, Industrial) have a fixed sewer rate
101 based on their winter consumption. That sewer rate will be the charge they will see for
102 the next four billings thereafter.
- 103 • Fred explained the only reason the sewer rate would go lower than that would be if the
104 consumption in the readings of July, October, or January would be lower than the winter
105 usage.
- 106 • Fred described the winter months as the “slow time” for the classes, and he cited the
107 example of a car wash, telling committee members business likely increases following
108 the winter consumption, meaning an increased amount of both water and sewage must be
109 treated in the City of La Crosse. However, the business only pays on the winter average.

110

111 Fred said the document before the committee members this evening takes the consumption of the
112 Commercial, Multifamily, Government, and Industrial classes, each billing, and calculating the
113 sewer based on the consumption for each one of the billings. Fred said an additional
114 \$187,993.73 would be brought into the Sewer Utility. Fred reminded committee members the
115 Public Service Commission regulates the Water Utility and typically does not interfere with any
116 municipality as it relates to the Sewer Utility. Fred noted he had contacted the PSC the week of
117 October 28-November 3 and ask if its representatives had any feelings regarding what the city is
118 doing. Fred said a PSC representative contacted him by telephone after a few days and told him
119 there are municipalities “that are already doing just this.” Fred told committee members he
120 asked the PSC representative to give him a list of the municipalities, and he said the PSC
121 representative did not object to the fact the City of Onalaska would not move the Residential
122 class. Fred said a majority of the individuals in the Multifamily, Commercial, and Government
123 classes have a separate meter for the sprinkler. This is not the case with a majority of the
124 Residential class, and Fred said, “That is why we would want to use the continuous methodology
125 that we’re using now for the Residential.”

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126

127 Fred said it would be “very easy” for the Industrial, Multifamily, Commercial, and Government
128 classes to pay based on usage as many of these classes do more business during the summer
129 months. Fred said, “As a result, the City of Onalaska the cubic feet to La Crosse for it to be
130 treated. If I’m not bringing in the revenue based on the usage, that means the City of Onalaska,
131 the Sewer Utility itself, is picking up the tab. All we’re trying to do is to have the other classes
132 pick up what they use.” Fred said the PSC representative told him she wanted to have an
133 engineer examine the second option before the committee. Fred said he had called the PSC
134 representative earlier Wednesday, and she called him back after speaking with an engineer who
135 said he does not object to the plan before the committee. However, Fred said the PSC
136 representative and the engineer passed on the proposal to the PSC’s legal counsel.

137

138 Ald. Every asked Fred if the City of Onalaska’s Sewer Utility treatment rate was frozen by the
139 city until December 31, 2019. Ald. Every referred to a letter that states as such.

140

141 Fred said, “I’m not aware of ever having our sewer rate frozen... I can tell you that in 2017 the
142 City of Onalaska raised both the sewer treatment and sewer trans.”

143

144 Both City Administrator Rindfleisch and Jarrod said what Ald. Every is referring to is the City of
145 La Crosse charges.

146

147 Fred said there is one line item on the expenditures of the Sewer Utility called “La Crosse
148 Charges,” and he said that is the frozen rate. Fred added the rest of the costs have not changed.

149

150 Jarrod said that currently the La Crosse rate has not changed and noted the City of La Crosse is
151 going through its rate study now. Jarrod said the City of La Crosse will complete its rate study in
152 2019, and he said the next treatment rate change is anticipated for January 1, 2020.

153

154 City Administrator Rindfleisch stated Ald. Every is correct in that the La Crosse Treatment
155 Wholesale Rate will not increase until after 2019.

156

157 Ald. Every asked if the treatment rate had increased in 2017.

158

159 Fred said he had increased both.

160

161 Ald. Every said, “That’s why I was objecting this year, seeing we have a rate that’s frozen.
162 We’re not going to incur any more expense, and we just raised ours last year. So now we want
163 to raise it again.”

164

165 Fred said, “Keep in mind, the rate might be frozen, but the consumption goes up. We spend
166 more dollars because there’s more consumption going to La Crosse. The rate per parts per
167 million may be frozen as a rate, but we’re paying more dollars because of the flow.”

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168

169 Ald. Smith said, "I think the reason this is of concern – and obviously we need to look at the rate
170 increase – is because this Enterprise Fund is underfunded. We're not making as much money as
171 we need to meet the expenses of the fund, according to Brad Viegut and the analysis that [Baird]
172 did."

173

174 Ald. Every said, "I understand that as well. But when I look at what those revenues are, I'm
175 looking at a \$2 million, \$3 million, and \$1 million ending-year balance in those utilities, and I'm
176 thinking that may not be the 125 percent Fred is talking about. But when I look at that, to me,
177 that looks like a lot of money to be an ending balance for the year."

178

179 Jarrod asked Fred, "With the bond ratio coverage, if we did alter the consumption for the classes
180 Commercial, Multifamily, Government, and Industrial for being billed their actual amount ...
181 We would bring in [\$187,993.73] in revenue. What would that change the needed percentage
182 rate to meet our bond covenants to be over the 1.25? Jarrod inquired about the possibility of
183 doing a combination of the two options.

184

185 Fred said when Monica Hauser had presented her analyses, she must have done a calculation for
186 projected income. Fred said what was projected for 2018 in comparison to what was rejected,
187 "I'm sure it's fairly close to the same dollars that we're generating from the new methodology.
188 Actually, I would tend to think that the new methodology may be generating a little bit more
189 money than doing a 3-percent [rate increase]." Fred said he did not feel comfortable sending out
190 the second plan sooner because he was unsure where the PSC stood until Wednesday evening."

191

192 Brad said the financial figures he utilized had originated with Monica, and he also said it is
193 possible there could be a rate adjustment downward due to potentially adding an additional
194 \$187,993.73.

195

196 Fred said that when the city did a water rate analysis in 2015 for 2016, "it was no doubt, from the
197 Public Service Commission's point of view, 2,300 cubic feet was the average usage for a
198 residential customer. This [document] is factual information coming from the April billing ...
199 The sewer is based on the average consumption of 1,580."

200

201 Ald. Every asked, "That would make the bill less?"

202

203 Fred said, "A heck of a lot less."

204

205 Ald. Every said, "About half."

206

207 Fred told Ald. Every he is correct.

208

209 City Administrator Rindfleisch said, "With the additional revenue potentially from the

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210 Commercial actually paying for what's going down the sewer and giving the credit to those who
211 are not putting things down the sewer – the lawn, pools, and what have you – and those who are
212 putting down the sewer – like Utilities paying their share – that [\$187,993.73], the coverage
213 ratios would stay the same. That would mean there would be \$180,000 less in residential revenues
214 we would need to collect.” City Administrator Rindfleisch said it appears total revenues and the
215 coverage ratios would stay the same, adding “Where that revenue would come from would
216 change.”

217
218 Fred told committee members they may send this item to the full Common Council, thus giving
219 Brad time to examine what is being proposed. Fred asked, “I think what you're looking for is, if
220 we change the methodology, is that sufficient enough to cover what would have been a 3-percent
221 [rate increase] instead? And is it enough to cover the ratio that we're talking about?” Fred
222 added he believes Brad will have an answer prepared prior to the November 13 Common
223 Council meeting.

224
225 Ald. Every said he is more comfortable with the methodology Fred presented this evening, and
226 he referred to past comments he made stating he will not vote for a 2019 budget that includes a
227 rate increase in Utilities. Ald. Every said, “This eases my mind a lot. I appreciate that.”

228
229 City Administrator Rindfleisch noted the hearing for the 2019 budget is Monday, November 12,
230 and not Tuesday, November 13.

231
232 **Adjournment**

233
234 Motion by Ald. Smith, second by Ald. Olson, to adjourn at 7:27 p.m.

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236 On voice vote, motion carried.

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238
239 Recorded by:

240
241 Kirk Bey