

PROCEEDINGS OF THE CENTRAL BROWN COUNTY WATER AUTHORITY

Pursuant to Section 19.84 Wis. Stats., a regular meeting of the **Central Brown County Water Authority** was held on Wednesday, June 14, 2011, at the DePere City Hall Board Chambers, 335 South Broadway, DePere, WI

Present: Allouez – Berndt, Bellevue - Oppenheimer, DePere-Delo, Howard-Bartelt,
Lawrence – Treml, Ledgeview-Burdette

Also Present: Dave Vaclavik – Manager
Gary Rosenbeck-McMahon
Vicki Hellenbrand – Baker Tilly
Joe Veranth – Dana Investment Advisors

The meeting was called to order by President Delo at 2:30 p.m.

Roll Call:

Call the roll for attendance. Roll call was taken as noted above.

Approval of Agenda:

Approve Agenda

Motion made by Bellevue and seconded by Howard to approve the agenda.

MOTION APPROVED UNANIMOUSLY

Approval of Minutes:

Approve Minutes: May 18, 2011

Motion made by DePere and seconded by Bellevue to approve the minutes.

MOTION APPROVED UNANIMOUSLY

Discussion Item:

1. **Review of Operation Optimization Study Parameters, Deliverables, and Proposed Contract with McMahon, Inc.**

The Manager explained that because of a significant amount of difference between the proposals from McMahon, Inc. and SEH, mostly related to the amount of system modeling involved, the Board asked for clarification of McMahon's proposed deliverables related to updating and use of the study report and any modeling post-study. A meeting with Gary Rosenbeck of McMahon, Inc. determined that his proposal included adequate modeling regarding system operations protocols. Additional discussion resulted in a request that McMahon include an optional task in their contract which would allow the Authority to request full integration of local system models with the model McMahon will use for developing system recommendations.

Bob Bartelt questioned if there would be a savings after the study is completed, pointing out that water numbers have dropped in the last few years. He expressed concern that some of the members, Howard specifically, would have to spend more than the \$45,000 DePere is now

spending to get to their level. Vaclavik responded that the reason for the study is so that the Authority can manage operations, operate effectively, and avoid capitol costs.

Mr. Trembl asked about tier pricing and the optimal option. Rosenbeck indicated there should be a better sense of value after modeling is completed. He noted that at this time Bellevue uses different software than other members, while Ledgeview has the same software, but a different version.

Appearances:

1. **Vicki Hellenbrand, Baker Tilly, to present 2010 CBCWA Audit Report and Financial Statements:**

Vicki Hellenbrand addressed the 2010 Audit and Financial Statements, indicating that the year ended well from a financial perspective. She highlighted aspects of the report including net assets, operating revenues and expenses, cash flows, investments, etc. She referred to the Management Letter which is similar to the previous year with segregation of duties and internal controls again mentioned.

Motion made by DePere and seconded by Bellevue to approve the 2010 CBCWA Audit Report & Financial Statements. MOTION APPROVED UNANIMOUSLY

2. **Joe Veranth, Dana Investment Advisors, to present proposal for Investment of Authority Funds:**

Mr. Veranth, Chief Investment Officer, explained that Dana Investment Advisors primarily uses U.S. government backed variable rate securities as the major asset class in the Dana Limited Volatility Strategy. These securities have coupon rates generally in excess of other government and most high grade corporate bonds exhibiting similar duration. He explained that with this strategy ARM cash flow yields are high vs. alternatives; the strategy adds liquidity and cheap inflation protection; short rates could remain low for extended periods; portfolio is high quality and has monthly cash flows that provide flexibility. He indicated that in rising rate environments, the limited volatility portfolio strategy outperforms fixed rate bond strategies, that there are very few negative quarterly returns, and has overall proven itself through many interest rate and economic cycles.

Discussion by the Board resulted in a request for a formal proposal from Dana to be circulated for action before the July Board meeting.

Administrative Actions & Reports:

1. **Approval of True-Up Charges and Member Rebates:**

Vaclavik explained that the last issue to be resolved before finalization of the audit is that of the 2010 True-Up charges and rebate of surplus funds to the members for prior year rate imbalances. Three options are available:

- 1) Calculation of True-Up charges using the existing policy adopted by the Board and members. Since less water was sold in the last year, the equalized member rate calculated to \$4.21 per 1000 gallons instead of the \$3.81 originally budgeted. Applying this revised rate to actual flows from each community results in rebates to 4 of the 6 members, and surcharges to DePere and Howard.

- 2) Calculation based on return of a portion of the money that the WA was unable to give to those members that would have had rebates under our prior true-up policy. In total, this amount equals \$1,720,751 accumulated from the period between 2005-2009. Per discussion with the auditor, it was concluded that mention of the Board's decision to rebate the money as finances permit should be part of the audit statement and that the outstanding total should be listed as an obligation of the Authority on the books. Review of the cash position resulted in a suggested rebate of 25% of the total amount owed using 2010 surplus, or a total rebate of \$430,188 pro-rated between members. The balance would be shown on the books as a future obligation. Any future annual rebate amount would be dependent on the Authority's financial status, however, a similar return would be targeted over the next three years until the obligation is retired.
- 3) The third calculation shows the total year-end adjustment when the rebate is applied. All six members end up with at least some financial return as the rebate for DePere and Howard exceed the amount of calculated true-up shares for 2010.

Discussion by the Board resulted in the consensus to approve #2, a 25% rebate.

Motion made by DePere and seconded by Bellevue to approve a 25% rebate to communities. MOTION APPROVED UNANIMOUSLY

2. Acceptance of Audit Report and Financial Statements for 2010:

Action on the Audit Report will be addressed at the July meeting.

3. Investment of CBCWA Funds:

Per the presentation above from Dana Investment Advisors, the manager recommends that \$3.5 million be moved into the Dana account from Wells Fargo where return is 0.2%. He also suggested that the Authority retain approximately \$1 million to spread among local institutions on short term CD's and/or move this amount into a longer term investment.

4. Financial Reports:

Reports including Budget vs. Actual, Profit & Loss, and Balance Sheet through the end of May were distributed and reviewed.

Motion made by Lawrence and seconded by Howard to approve financial reports. MOTION APPROVED UNANIMOUSLY

5. Pay Authorizations/Vouchers:

Pay Authorizations/Vouchers were recommended for payment.

Motion made by DePere and seconded by Bellevue to approve Pay Authorizations/Vouchers. MOTION APPROVED UNANIMOUSLY

Technical Committee Recommendations

1. Recommend Approval of Contract with McMahon, Inc. in the amount of \$46,200 for Development of a System Optimization Plan:

Refer to discussion in #1 above. It was suggested that McMahon be notified of any changes in characteristics of demand. It was also recommended that a consultation be held with Bill Naback of the Green Bay Water Utility to discuss possible collaboration with purchase of meters.

Motion made by DePere and seconded by Allouez to approve the contract with McMahon in the amount of \$46,200 for development of a System Optimization Plan.

MOTION APPROVED UNANIMOUSLY

2. **Discussion regarding member efforts and costs to equalize flow demand, the impact on CBCWA operating costs and compensation to members for actions benefiting CBCWA:**

Vaclavik reported that the City of DePere has completed testing their ability to maintain constant flows and have determined this cost to be between \$40,000 and \$45,000 per year. At this time, they are planning to go back to using system pressure during peak hours for electrical use unless the Authority wishes to compensate them for their expenses. It has been estimated that the impact of electrical costs to the CBCWA would be approximately \$2,150 per month. If both DePere and Allouez choose to take water during the day, the cost would be an additional \$4,000 per month. The preliminary calculation by MPU indicates that while the cost incurred by the Authority will increase, it is less than the cost the City is currently expending to balance its flow. The operations study to be completed by McMahon, Inc. will clarify this.

3. **Authorization to send Proposed Operating Protocol for Reducing Pressure at LW-1 to the WDNR for approval:**

This proposal has been under discussion for the last several months and a draft is ready to be submitted to the DNR.

Motion made by Bellevue and seconded by Allouez to adopt the Proposed Operating Protocol for reducing pressure at LW-1 and submit to the Wisconsin DNR.

MOTION APPROVED UNANIMOUSLY

Project Update and Status Reports:

1. **Engineer's Report:**

Gary Rosenbeck of McMahon highlighted the following activities during the last reporting period:

- Excel Engineering is making progress with the location and mapping of water mains.
- Cathodic Protection Management has started their work with regard to corrosion inspection services.
- McMahon working with CDM on their surge analysis investigation.
- Working with L. Kobza and member communities regarding testing protocol and leak detection on Contract H.

2. **Manager's Report:**

Vaclavik highlighted activities during the last reporting period:

- Village of Hobart has officially started receiving water from the City of Green Bay and will be disconnecting from the CBCWA water system for emergency services.
- Work on the 2012 budget has begun at the request of the Technical Committee

New Business:

1. None

Old Business:

1. None

Next Meeting:

1. **Suggested Agenda Items for Next Meeting July 20, 2011**

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**Motion made by DePere and seconded by Bellevue to adjourn at 3:55 p.m.
MOTION APPROVED UNANIMOUSLY**

Respectfully Submitted,

Rae G. Knippel
Recording Secretary