



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Meeting Minutes - Approved WATER UTILITY BOARD

Tuesday, August 25, 2009

4:30 PM

119 E. Olin Ave., Rooms A & B

CALL TO ORDER / ROLL CALL

Jon Standridge called the meeting to order at 4:32 p.m.

Present: 6 -

Lauren Cnare; Dan Melton; Jonathan H. Standridge; Gregory W. Harrington; Thomas Schlenker and Bruce Mayer

Excused: 2 -

George E. Meyer and Michael Schumacher

APPROVAL OF MINUTES

A motion was made by Melton, seconded by Harrington, to Approve the Minutes of the July 28 meeting. The motion passed by voice vote.

PUBLIC COMMENT

There were no members of the public registered to speak.

ADMINISTRATION REPORTS

1. [14827](#) Steering Committee Report

Attachments: [Steering Team Update August 2009.pdf](#)
[Employee Engagement Survey Comparison 2009.pdf](#)

The attached report was distributed, and Steering Committee member Janet Czerwonka presented it to the Board.

There was a question about the Employee Engagement Survey and possible reasons for indicators decreasing in the Maintenance section. Robin Piper did not know of any reasons and was unsure if the two results could be compared; he did not have the number of responses from 2007 because EMA compiled that data. Going forward, the Utility will know how many responses were received in each section and be better able to compare results from year to year.

A motion was made by Melton, seconded by Cnare, to amend the agenda by moving item 15, the Resolution Establishing Water Treatment Policies for Iron and Manganese, to the next item of business. The motion passed by voice vote.

15. [15129](#)

Resolution Establishing Water Treatment Policies for Iron and Manganese

Attachments: [Resolution Establishing Water Treatment Policies for Iron and Manganese.pc](#)
[Amended Resolution Establishing Water Quality and Treatment Policies for I](#)

General Manager Tom Heikkinen introduced the resolution. He drafted it with the intent to formalize a policy regarding iron and manganese. Policies 1 and 2 set an operating standard at the tap and formalize what the Utility already strives to do, which is to meet the Secondary Maximum Contaminant Level (SMCL). Policy 3 sets a design standard for new wells.

He was asked when the Utility would determine if filtering might be necessary for a new well. Principal Engineer Al Larson said there are several decision points. There is the test well, which has a diameter of 8 inches and is pumped at 300 gallons per minute. This gives an indication of what could be expected in terms of capacity and water quality. The real decision, however, takes place after receiving the water quality data for the production well. The design of the facility takes place after this point. "Test data" in Policy 3 refers to the production well.

A motion was made by Cnare, seconded by Melton, to add "production well" to Policy 3. The motion passed by voice vote.

Standridge said the issue was more complicated since levels at new wells could change over time, as was the case with Well 29. If the Utility was willing to add a filter to a well a year later, then why not filter existing wells? Larson said Well 29 actually did not get worse; levels stayed about the same over time. Well 8 and Well 10 levels have increased.

There was a discussion of the numerical standards in the policy. Standridge asked how he should respond to customers who are served by an existing well that would have received treatment if it was new. Harrington said Policies 1 and 2 address existing wells and those that change over time. He was reluctant to say existing wells should be .1 and .02. Heikkinen said Policy 3 is not an operational standard but a design standard or trigger point. Different wells have different levels and the Utility cannot afford to filter all of them. The SMCL is the one standard for everyone. It is an aesthetic standard based on color, taste, and smell; the primary consideration with iron and manganese is color. Standridge said the Board could consider changing the numbers in the resolution. Aesthetic concerns have been established as a Board priority and it is important to deliver clear water. Schlenker encouraged the Board to be primarily concerned with health standards. Although aesthetic standards are important, they are ultimately different for different people. There are national aesthetic standards, and these should not be fine-tuned to a point that the public's money is wasted. Mayer acknowledged that there are customers who would like lower numbers than the SMCL, but the Utility cannot afford to apply a lower standard to all the wells.

Melton was concerned that there were no clear benefits to passing the resolution, especially if it only applies to new wells. At the Well 8 Citizens

Advisory Panel, Madeline Gotkowitz raised this issue when she asked what principles have guided the Board and if the Water Utility had a statement or policy. This resolution does not address her question. Heikkinen said he wrote the resolution in response to Gotkowitz's comments and it addresses her question. Policies 1 and 2 apply to existing wells, specifically Wells 7, 8, and 10.

Water Quality Manager Joseph Grande was asked if the Utility would get complaints if the Board adopted the .3 and .05 standard. Grande said three wells currently exceed this standard: Well 8, Well 7, and the unfiltered water at Well 29. Complaints are received from the Well 8 area when it is running and fewer are received from the Well 7 area. Shortly after Well 29 went online the water was yellow and brown fairly consistently. For wells just below the SMCL, long-term accumulation of iron and manganese can cause colored water problems. When there is a system disturbance (hydrant opening, main break) or if a tap is opened during flushing, iron and manganese levels will be significantly higher. The Utility will never be able to completely eliminate colored water complaints. He was asked if long-term complaints would be reduced as the flushing program is fine-tuned. Larson said this is the focus of the graduate research studies. The Utility hopes to have a very good idea of how many gallons can be put through the system before it needs to be flushed.

Harrington said this policy is a water quality policy, not just treatment. The title and language in the resolution should be changed to allow for other options. From an engineering perspective, the lifetime of wells should be considered and the policy should allow for alternatives such as abandonment or running a well for only short periods of time. With Well 10, he is comfortable with it not being operated except in an emergency situation. If a well is only going to last a few more years, the Utility would not want to invest in a filter.

A motion was made by Harrington, seconded by Mayer, to make the following changes to policy number 2: change the first instance of the word "treatment" to "water quality" and add the phrase "or other management" after the second instance of the word "treatment." The motion passed by voice vote.

A motion was made by Cnare, seconded by Harrington, to add "and quality" to the title of the resolution. The motion passed by voice vote.

Heikkinen was asked if "treatment" meant filters or if it included other options. He said "treatment" is a general term and allows for new technologies.

A motion was made by Harrington, seconded by Cnare, to remove the phrase "at all times" from policy number 1. There were concerns that this was unrealistic. The motion passed by voice vote.

A motion was made by Melton, seconded by Cnare, to remove "strive to" from policy number 1. Melton and Standridge were concerned that this weakened the policy; the Utility either meets the standard or doesn't. A discussion followed of whether this policy would be realistic. The phrase "under normal operating conditions" was added. Larson and Rodefeld observed that normal operations of the Water Utility like hydrants being opened and flushing could elevate iron and manganese levels. Heikkinen said this would not take away from the intent of the policy, which is to set a standard. The motion passed by voice vote.

A motion was made by Cnare, seconded by Melton, to add "and recommend" to policy number 4. The motion passed by voice vote.

A motion was made by Melton, seconded by Harrington, to Approve the Resolution with Amendments. The motion passed by voice vote.

2. [14080](#)

General Manager's Report

General Manager Tom Heikkinen gave a verbal report.

The Well 29 Filter dedication was a success and the Utility received positive media attention from the event.

On Saturday, August 22 he gave a presentation to retired physicians at Meriter hospital on the topic of the Madison water system and water quality. This went very well, and he observed that although his audience was very well educated and involved in public health issues, they had little knowledge of public water supply and water quality issues. There is still more work to do be done in public information, but the Utility is making good progress in that direction.

Thursday he and members of the management team will be attending a Webinar by the Water Environment Federation on effective communication for water infrastructure.

He has had meetings with the Comptroller and the Mayor's Chief of Staff and will be providing more information from these meetings when the Capital Budget is discussed.

Next month's board meeting will need to be rescheduled due to a conflict with budget deliberations. A discussion followed and the meeting was rescheduled for Tuesday, September 29.

He was asked for an update regarding Clean Wisconsin. Heikkinen said there had been no further meetings, and a joint meeting with the Public Service Commission is scheduled for September 2.

3. [14085](#) Water Quality Monitoring Report

Attachments: [Water Quality Report August 2009.pdf](#)

Water Quality Manager Joseph Grande highlighted the Volatile Organic Compound test results included in the August report. There was a question about the tetrachloroethylene (PCE) detects at Wells 9 and 15. Grande said that for Well 9, concentrations peaked in 2002 at 3.9 and the current results range from 2.0 to 2.1. These are the lowest levels since 1996. Well 15, however, has seen increases in PCE since the early 1990s. The most recent results are between 3.6 and 3.9 against an MCL of 5. Previously, it had been estimated that it would be 6-8 years before levels exceeded the MCL, but based on these results it could be within the next 18 months. Typically, levels of PCE are lower in the winter, but this was not the case over the last year. He is not sure how pumping has contributed to this increase; the well received a total of six hours of rest time in July. The Utility will try to run the well only 12-14 hours a day and a contingency plan is being developed for if/when levels exceed the MCL. Heikkinen added that Well 15 is being added to the scope of the consultant work for analyzing the eastside water supply and treatment options.

Water Supply Manager Joe DeMorett was asked for a hydrogeological perspective on these trends and if he knew of any source sites. DeMorett said PCE is typically a dry cleaner solvent, and he did not know of any source sites. As the plume of contaminants moves through an area, there is a peak of levels. In the case of Well 9, it appears that the source has been cut off and the plume has moved through. For Well 15, he cannot be sure if this is the edge of the plume or that the source has been cut off. Pumpage can be decreased at 15 now that 29 is online. Hopefully, this will decrease levels, but it could also increase the concentration because the dilution factor will be less.

Grande was asked about Well 18, the other well with a PCE detect. Grande said the well was out of service for a period of time, and when it went back online levels were initially higher. Once it had operated for a time the levels were back down to around 1.

Grande was asked why Districts 1 and 20 were not included in the alder report. It was because no calls were received from those districts.

He was asked about atrazine; it had been in the news lately. Grande said there was a story in the New York Times and a report by the Natural Resources Defense Council. Atrazine has not been detected in any of the Utility's wells against a level of detection of .1 ppb. The last testing was done in 2007. Most of Dane County is an atrazine prohibition zone so it is unlikely that there would be a surge in these levels.

4. [14086](#) Water Supply Report

Attachments: [Water Supply Report August 2009.pdf](#)

The attached report was distributed. Water Supply Manager Joe DeMorett was asked about the status of the 29 Sentinel Well. DeMorett said he is waiting for the final proposal from the FLUTe company and has not received any news.

It was suggested that he provide a big picture, year-to-date update on the total number of SCADA conversions and Chlorine detection unit installations in his next report.

5. [14087](#) Operations Report

Attachments: [Operations Report August 2009.pdf](#)

The attached report was distributed. Operations Manager Dan Rodefled was asked why some hydrants have light blue caps. Rodefled said the caps are color coded by flow rate according to a national fire standard.

6. [14088](#) Staffing Report

Attachments: [Staffing Report August 2009.pdf](#)

The attached report was distributed.

7. [14089](#) Customer Service Report

Customer Service Manager Ken Key gave an update on activities in his section:

He was invited by Jean Hoffman in Engineering to assist in meetings with city agencies to develop conservation plans. They had a round table and he offered suggestions and the assistance of the water inspectors in doing audits. This initial meeting went very well.

There was a brief teleconference with Clean Wisconsin. They requested information on the Utility's bill format and what they could do as an organization to help with the rate case.

He and other managers attended a demonstration of reverse 9-1-1 features by one of the vendors of this service.

He had a meeting with Maple Bluff. They were concerned about a discrepancy between the amount of water sold to their customers and the amount of water purchased from the Utility. It was discovered that they had malfunctioning equipment that was drawing metered water and then not keeping it in their system. Unused water was going back into Madison's system, and then being drawn and metered again. There was no water wasted, but they were paying for water that they were not using. A solution is being developed to credit them.

He and Jon Standridge met with Webcrafters as part of the series of large

customer meetings. They had a good discussion. Webcrafters' primary concern was notification when flushing or a main break took place. He checked and they are on the call list, and he then followed up with them to make sure the appropriate contact person was on this list. Standridge added that next month there would be an agenda item providing a report on all of the visits with large users that he, Key, and Heikkinen made.

8. [14090](#) Public Information Report

Attachments: [Public Information Officer Report August 2009.pdf](#)

The attached report was distributed. Public Information Officer Gail Gawenda said contingency plans for H1N1 are being developed. The Emergency Response Plan includes situations when the Utility might have a staff shortage.

She was asked if the Board would have access to the employee intranet. Gawenda said the intranet site is password protected and can only be accessed by Utility employees using their city log-ins. She worked with Information Technology to set up the site and there is no way Board members can be given access. Standridge was concerned that this was a useful training tool for new Board members and this had an appearance of keeping the Board in the dark. Gawenda said it is nothing that personal, it is both a city policy and a technical issue. Cnare said she would ask about access; the Board might just need to be issued a password and access to the city network. It was suggested that a Utility employee could still meet with a new Board member and use the intranet site for training.

9. [14122](#) Engineering Report

Attachments: [Engineering Report August 2009.pdf](#)

The attached report was distributed. Larson was asked why the Arbor Hills pipeline was being done in two parts. He said the Cannonball Run Pipeline would be going under the bike path and the goal was to have the full pipeline done by June 2010. It is a very large project, and if it was all left for next spring it might not be done by June 1. The first half of the pipe will be pressure-tested, capped, and sealed and be empty for a few months.

He was asked if the emergency connection planned with Fitchburg was a first. Larson said the Utility had a similar connection with Monona for years, but former General Manager Grahame took it away. Monona would like to reestablish that connection and they are currently looking at where it would go.

He was asked for clarification on the pressure changes with the Zone 6 to Zone 3 conversion. Larson said there would be an increase of about 25 psi, so customers in that area would be very happy. He hopes to have a public meeting in late September to discuss this.

Heikkinen said there are four tanks with new pressure wash jobs. This project was started by a customer request.

FINANCIAL REPORTS

10. [14092](#) Financial Report: Toilet Rebate Program

Attachments: [Toilet Rebate Program Financial Report August 2009.pdf](#)

The attached report was distributed. Piper was asked if the Administrative costs were really zero. He said the system for processing applications is very efficient and costs are minimal. He did not account for the 10-15 minutes a day of staff time or the cost of the checks; this is a normal cost of doing business.

11. [14123](#) Fund Balance Report

Attachments: [Fund Balance Report August 2009.pdf](#)

The attached report was distributed. Piper said the Construction Fund is down to 0. The Utility will do a bond anticipation note to keep paying for construction expenses. They are waiting on the final audit to determine when to sell bonds. If the Utility does not meet its coverage test, it will need to wait for the implementation of the next rate increase. He was asked if the Construction Fund was overspent. Piper said no, the fund is 0 because the Utility has not borrowed since the end of 2007. The Utility wanted to reduce its borrowing so the capital budget for 2008 was reduced accordingly. He anticipates borrowing about \$3 million in bond anticipation notes to get to the next revenue bond sale.

He was asked if the City has asked the Utility to pay its debt soon. Piper said the City has asked the Utility to borrow money to repay them so the Public Service Commission (PSC) will recognize it as a debt that needs to be repaid in a specific period of time. The last rate case included a 3-5 year repayment plan for the debt to the City, but the PSC thought this was too aggressive and it should be 10 years. Understandably, the City does not want to wait 10 years to be repaid. Melton and Standridge asked Mayer if he thought this was a good idea. Mayer said he thought it was.

Lauren Cnare left the meeting at 6:35 p.m.

Present: 5 -

Dan Melton; Jonathan H. Standridge; Gregory W. Harrington; Thomas Schlenker and Bruce Mayer

Excused: 3 -

Lauren Cnare; George E. Meyer and Michael Schumacher

12. [14846](#) Comparative Income Statement

Attachments: [6 Month Income Statement 2009.pdf](#)
[E-mail Correspondence Regarding the 2009 Six-Month Comparative Income](#)

The attached report was distributed. Standridge asked Mayer if he thought this was a good report and gave him the information he needed. Mayer said it did.

Piper gave an overview of the income statement. Revenue is up 7.27% because of the implementation of the last rate increase. Expenses are also up. The Total Operating Expenses are up 15.5% over last year and Operating Income is down 25%. This is due in part to higher power costs even though pumpage is down. MGE and Alliant energy have increased rates and the demand charge is fixed, not variable. Transmission and Distribution expenses have increased about 24%, and main leaks make up \$119,000 of that expense. There have been more main leaks this year than last year. Administrative and General expenses are up 16.7% due to increases in premiums and the Utility being fully staffed. The Utility previously had 6-8 vacancies and now has only 2. The Workmen's Compensation Insurance Premium is up \$92,000 over last year. Health insurance is also up \$113,000 due to a 10% premium increase and the increase in employees. Salaries are up because the Utility is almost fully staffed and is now paying a General Manager. At this time last year, the interim General Manager was being paid by City Engineering. Depreciation is also increasing, and the PILOT is expected to increase 31% over last year. Some of the increases are unique to the first six months. For example, some employees were hired in the third quarter last year so their salaries and insurance will be taken into account in the next report. He will be doing additional reports to see how variable expenses have contributed to the increase.

He was asked how much of these expense increases were anticipated. Piper said some, like electricity, were anticipated. Main leaks, however, were not. He was asked if the amount of the PILOT increase was anticipated. Piper said when the budget was developed last year, it was not anticipated that the mill rate would be increasing so much. He was asked if he was concerned. He said there is some concern, and he and Heikkinen will have further meetings to analyze ways to control costs going forward, but the numbers in the comparative income statement do not reflect the Utility's cash position. This is the official income statement used for reporting purposes.

Standridge asked Mayer if the Board should provide guidance or direction on this. Mayer said he was not sure there was anything the Board could say. There is cause for concern and he was glad Piper and Heikkinen would be discussing it further. He noticed in the audited statements that the increase in net assets last year was about \$800,000. If at six months last year it was \$768,000 and the total was \$800,000, then last year there was not much income in the last six months of the year. Piper said he was not sure, he would have to look at the year before as well. He could meet with Mayer to discuss this further.

Standridge said it would be useful if the report showed expected expenses versus actual expenses. Then the Board could have a chance to weigh in on specific items. For instance, if salaries are over budget the Board could tell the Utility to lay people off. Piper said this is a budget detail report that he and Tom and Mayer will be looking at further. He could possibly bring something similar

to the Board.

Melton said the 15.5% increase in operating expenses was unacceptable no matter what the reasons are. Individuals and companies are trying to decrease operating expenses and he could not defend this increase. The Board should be able to make mid course corrections and provide financial guidance. Key said if health care and electricity costs increase this is an outside influence and the Utility cannot control that. Heikkinen said he could defend the increase. The Utility cannot quit paying its power bills or health insurance premiums; these are not discretionary expenses. Expenses like travel and training have already been slashed. Standridge said the 15.5% increase would be acceptable to him if it was budgeted.

13. [15698](#)

2008 Audit

Attachments: [Madison Water Utility Financial Statements 2008.pdf](#)
[Madison Water Utility Mang Letter.pdf](#)

Mayer said there were no surprises. The report included a comment regarding materials and supplies, a very minor point, and then there were informational items regarding upcoming new standards. There are no concerns that the Board needs to take further action on.

14. [15697](#)

Other Financial Updates

- Capital Budget Update

Heikkinen said the Mayor has decided that Main Replacement will be fully funded, but AMR was cut and he has requested further reductions. The Utility will be deferring a few more things into the future and proposing a compromise of spreading the cost of AMR over a four-year implementation with the first steps still beginning next year. He was asked what happens to the money the Mayor cuts from the budget. Heikkinen said it is a smaller rate increase for future years. Mayer said his impression from the Comptroller meeting was that the City does not want to lend the Utility any more money. There was concern that the Utility might not get the rate increases it needs. Piper said one issue is that the Utility cannot request rate increases for capital projects until the assets are in the ground, so funds have to be borrowed in the interim. The current rate increase is for expenses in 2009, not future expenses. He is trying to persuade the PSC to change because the current system leaves the Utility always behind. There is a meeting with the PSC next week and the Comptroller and a model and financing expert from Springstead will be attending. There are also a couple of parts of the model that still need to be worked on. It had a 0% increase in 2010 and a 25% increase in 2015. The Utility would want to spread that out. Standridge said the Utility still has rates in the lower quarter and needs to be able to get the increases it needs to be fully funded. Heikkinen agreed and said part of the problem is a tendency to only look at the bottom line of project costs and rate increases. AMR will only cost six dollars a year per household; it is not very much money.

Heikkinen was asked about freezing the PILOT, since it is increasing almost a million dollars this year. Heikkinen said it would be difficult because this would be added to the general levy. He will research to find out how the PILOT payment compares with other utilities. It might be possible to discuss capping the rate of increase.

-Rate Case Update

Piper said the revenue requirements are almost done. The Utility is almost four months into the case and this is only in the first step. He was asked if the delay was due to staffing issues at the PSC. Piper said partly, but it is also because the Utility has included items in the rate case that the PSC has never had before. They have been asking a lot of questions and this is dragging things out. He expects that it is at least 90 more days to a decision.

He was asked if it would ever be possible for the Utility to get to a point where the current rate case would fund the next year. Mayer said not with the delay in processing the applications. As soon as this case goes through the Utility will be applying for the next one. Piper said the test year is the current year until August 1. If the Utility wasn't in the middle of a rate case currently it could have 2010 as the test year, but it has to file early because of the delay in processing the application and then implementing the increase. He was asked if two applications could be in at once. Piper said no, because the application asks for the current rates. Heikkinen said the rate increases could be implemented sooner if the Utility went to quarterly billing and estimated every other bill. This wouldn't require an increase in meter reading staff but it would increase printing and postage costs. He is not sure if the benefit outweighs the increased cost. Key said it probably wouldn't and it would create a community relations nightmare.

- Operating Budget Update

Piper said the operating budget was submitted but he has heard nothing from the Comptroller.

NEW BUSINESS

16. [15709](#) Report on Sodium in Drinking Water

Attachments: [Report from Public Health on Sodium in Drinking Water.pdf](#)

The attached report was distributed. Dr. Thomas Schlenker, director of Public Health- Madison and Dane County, introduced and provided highlights from the report. He was asked if there are any studies of what percentage of people drink a full 2 liters of water a day. Schlenker said many people do not drink a full 2 liters every day. It is even more unlikely that individuals with severe salt restrictions would consume that much water since they are not only salt restricted but also fluid restricted. They are extremely ill with conditions such as end-stage kidney disease, end-stage heart disease or uncontrolled blood pressure. Melton thanked Schlenker for the report and said it addressed his concerns about additional notification.

17. [15437](#) Accepting a 20-foot wide Public Water Main Easement within the Cannonball Path from the City of Fitchburg.

Attachments: [9193 Fitchburg water main esmt Exhibit A.pdf](#)
[9193 Fitchburg water main esmt Exhibit B.pdf](#)

The attached documents were distributed. Heikkinen said this is a referral from the Board of Estimates for an easement for the Cannonball Run project. It is a 20-foot wide easement for accessing the main for maintenance purposes. Normally, projects are in the public right-of-way and easements do not need to be paid but this project is under a bike path. The Utility would pay the City of Fitchburg \$162,000 and, in the next resolution it would pay the City of Madison \$129,000. He was asked if this was standard public policy; it seemed like a lot of money. He said it did seem like a lot, but he is not a real estate expert. This contract was negotiated by City Engineering. He was asked if the Utility knew they would have to pay for the easement. Heikkinen said they did.

A motion was made by Melton, seconded by Harrington, to Return to Lead with the Recommendation for Approval. The motion passed by voice vote.

18. [15547](#) Authorizing the execution of a Declaration of Public Water Main Easement pertaining to the City-owned Cannonball Run Bike Path Corridor.

Attachments: [9233 Exhibit A.pdf](#)
[9233 Exhibit B.pdf](#)

A motion was made by Melton, seconded by Harrington, to Return to Lead with the Recommendation for Approval. The motion passed by voice vote.

19. [14501](#) Introduction of Future Agenda Items

The following future agenda items were suggested at previous meetings:

- Forecasting Future Rates to Support Capital Programs
- Collaboration with Dane County Water Utilities
- Policy Regarding Unrestricted Operating Reserve
- Discussion of Relationship with Municipalities that are Wholesale Customers
- Strategic Planning
- Report on Well 8 Disinfection Pilot Study

Larson was asked when the RFP for the Eastside would be completed. Larson said it would be completed at the beginning of September.

ADJOURNMENT

A motion was made by Harrington, seconded by Mayer, to Adjourn at 7:20 p.m. The motion passed by voice vote.