



AGENDA
COMMITTEE OF THE WHOLE

Tuesday, September 4, 2018

6:30 p.m.

Common Council Chambers, 224 East Jefferson Street

Mayor Jeannie Hefty
Susan Kott, Alderman, 1st District
Theresa Meyer, Alderman, 1st District
Bob Grandi, Alderman, 2nd District
Ryan Heft, Alderman, 2nd District
Steve Rauch, Alderman, 3rd District
Jon Schultz, Council President, Alderman, 3rd District
Thomas Preusker, Alderman, 4th District
Todd Bauman, Alderman, 4th District

1. **Call to Order - Roll Call**

2. **Citizen Comments**

3. **Approval of Minutes** (R. Heft)

A. Approval of the Committee of the Whole Minutes for August 21, 2018.

4. **DISCUSSION:**

A. **Discussion/Presentation** - A status update of the 2018 PSC Water Rate Case Filing from Ehlers, Inc.

5. **RESOLUTIONS:** There are none.

6. **ORDINANCES:** There are none.

7. **MOTIONS:** There are none.

8. **ADJOURNMENT** (S. Rauch)

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COMMITTEE OF THE WHOLE

ITEM NUMBER 3A

DATE: September 4, 2018

SUBJECT: Committee of the Whole Minutes for August 21, 2018.

SUBMITTED BY: Diahnn Halbach, City Clerk

BACKGROUND/HISTORY:

The attached minutes are from the August 21, 2018 Committee of the Whole meeting.

BUDGET/FISCAL IMPACT:

N/A

RECOMMENDATION:

Staff recommends approval of the attached minutes from the August 21, 2018 Committee of the Whole meeting.

TIMING/IMPLEMENTATION:

This item is scheduled for final consideration at the September 4, 2018 Common Council meeting.

Attachments

COW Minutes



CITY OF BURLINGTON

City Clerk
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CITY OF BURLINGTON
Committee of the Whole Minutes
Jeannie Hefty, Mayor
Diahnn Halbach, City Clerk
Tuesday, August 21, 2018

1. **Call to Order - Roll Call**

Mayor Hefty called the Committee of the Whole meeting to order at 6:30 p.m.. Roll Call - Present: Mayor Hefty, Alderman Susan Kott, Alderman Theresa Meyer, Alderman Bob Grandi, Alderman Ryan Heft, Alderman Steve Rauch, Alderman Jon Schultz, Alderman Tom Preusker, Alderman Todd Bauman, Student Representative Gabriel King. Excused: Student Representative Jack Schoepke.

Staff present: Administrator Carina Walters, City Attorney John Bjelajac, Finance Director Steve DeQuaker, Director of Administrative Services Megan Watkins, Public Works Director Peter Riggs, Fire Chief Alan Babe, Police Chief Mark Anderson, Lt. Brian Zmudzinski, and Building Inspector Gregory Guidry.

2. **Citizen Comments** - There were none.

3. **Approval of Minutes**

A motion was made by Alderman Schultz with a second by Alderman Bauman to approve the August 7, 2018 Committee of the Whole meeting minutes. With all in favor, the motion carried.

4. **PRESENTATIONS:**

Dave Blank, President/CEO for Real Racine, provided an update and power point presentation regarding Real Racine's marketing and promotional efforts as well as economic development.

5. **DISCUSSION:**

Attorney Richard Scholze spoke on behalf of Cynthia and Aubrey McGaughy regarding a petition to forgo installing a required ADA Restroom at 225 E. Jefferson street also known as 2 Fancie Gals and provided zoning history on the property.

Aubrey McGaughy addressed Council and staff and provided a handout stating why they felt their building should be exempt from being required to install an ADA restroom and if the exemption was granted, it would allow money to be spent on other needed improvements.

City Attorney John Bjelajac responded to the McGaughy family's request and stated that although he is against the exemption, it is up to the Council to make the exception, however also warned against the potential of a slippery slope among other businesses.

Building Inspector Gregory Guidry explained that since this building was changed from residential to commercial, it is required to meet the International Building Code (IBC) standards which requires ADA compliancy.

Alderman Kott inquired as to whether or not a portion of the kitchen could be converted to a bathroom. Aubrey McGaughy responded that there wasn't enough room, however Inspector Guidry stated the space would be adequate.

6. **RESOLUTIONS:**

- A. **Resolution 4915(17)** - To consider an approval of a Certified Survey Map for property located at 1054 Milwaukee Avenue.

Inspector Guidry explained that this request is from GMX Real Estate Group who is seeking a re-division of Lots 1 and 2, which will create a larger Lot 1 and smaller Lot 2. The larger lot will contain the proposed development an additional three-store strip mall. The smaller lot is the primary parcel containing the Fox River Shopping center.

- B. **Resolution 4916(18)** - Approval of a Preliminary Plat for the proposed Glen at Stonegate Subdivision, Addition No. II.

Inspector Guidry reviewed the background history and stated that MC Home Builders would like to develop the vacant lot north of the existing Glen at Stonegate Subdivision and that this 23-acre lot is considered Addition No. II of the Glen at Stonegate Subdivision and the final phase of this residential development project.

- C. **Resolution 4917(19)** - Approval of a Work Order For Baxter & Woodman, INC. to Prepare Preliminary and Final Compliance Alternatives Plans for Phosphorus and WPDES Permit Renewal Assistance Engineering Services for the Not-to-Exceed Amount of \$18,350.

Director Peter Riggs reviewed the background history and stated that because the City of Burlington owns and operates the waste water treatment plant, the Wisconsin Department of Natural Resources (WDNR) requires the City to submit a series of studies and reports concerning efforts to achieve compliance with phosphorus discharge limits, which is critical in determining how the City will proceed with achieving compliance by January 2024.

Don Hefty, WWTP foreman and Brent Perz, Baxter & Woodman were also present. Hefty provided additional information on phosphorus levels and the effect it has on the environment and aquatic life. Perz discussed in further detail alternative treatments.

Alderman Schultz asked if the primary offender is agricultural run-off. Perz responded that storm water run-off attributes to 50% of the issue.

- D. **Resolution 4918(20)** - To approve the Application for an Urban Non-Point Source and Storm Water Management Program Planning Grant for the Purpose of Funding Urban Storm Water Planning With the Wisconsin Department of Natural Resources.

Director Riggs explained that the City has already applied for and received the grant; however, was informed by the DNR that the resolution approved in 2014 was not sufficient and required modification in order to close out the grant and receive final reimbursement. Specifically this included removing the authorized agent's name who is no longer associated with project. Riggs further stated that submittal of the grant's final report and reimbursement request will allow the DNR to issue final payment for their portion of the costs, which amounts to \$46,140, and will be placed in the General Fund as Intergovernmental Revenue.

7. **ORDINANCES:**

- A. **Ordinance 2040(6)** - To consider amending the Racine County Multi-Jurisdictional Comprehensive Plan for property located at 332 Milwaukee Avenue from Commercial to Medium Residential Density.

Inspector Guidry stated that per a rezone request from Craig Faust for property located at 332 Milwaukee Avenue, it was determined that a plan amendment was also required. Per the Comprehensive Plan, 332 Milwaukee Avenue is listed as “Commercial” and would not be consistent with the requested zoning change from B-2, Central Business District to Rd-2, Two-Family Residential. As such, an amendment from “Commercial” to “Medium Density Residential” is necessary to be compliant.

8. **MOTIONS:** There were none.

9. **ADJOURNMENT**

A motion was made by Alderman Preusker with a second from Alderman Bauman. With all in favor, the meeting adjourned at 8:02 p.m.

Minutes respectfully submitted by:

Diahnn C. Halbach
City Clerk
City of Burlington



DATE: September 4, 2018

SUBJECT: DISCUSSION/PRESENTATION - A status update of the 2018 Public Service Commission (PSC) Water Rate Case Filing from Ehlers, Inc.

SUBMITTED BY: Steven DeQuaker, Finance Director

BACKGROUND/HISTORY:

As part of the 2018 Budget Discussion, it was recommended by Ehlers and the Financial Management Plan to move forward with a Full Rate Case filing with the Public Service Commission (PSC).

The application for the Full Rate Case was filed and accepted by the PSC in July of this year.

Jon Cameron, our Municipal Advisor from Ehlers, is here to give a status update on the filing with the PSC, along with additional detail on the request for a rate increase Rate of Return (ROR).

BUDGET/FISCAL IMPACT:

The rate increase would be effective either 4th quarter 2018 or first quarter 2019, depending on when the rate case is finalized. Currently the rate case filed on behalf of the City, by Ehlers, is calling for a minimum increase of 12.34% to have a rate of return of about 3%. Higher percentage increases can also be decided, should the council deem this appropriate.

RECOMMENDATION:

This is a discussion/presentation item only.

TIMING/IMPLEMENTATION:

Discussion item only, unless Council wants to modify the PSC Full Rate Case filing. Should Council decide on a higher rate of return, an agenda item will be placed on the September 18, 2018 Committee of the Whole with Council approval the same night.

Attachments

PSC Water Rate Case Presentation



EHLERS
LEADERS IN PUBLIC FINANCE

September 4, 2018

Status Update - Water Utility Rate Study

City of Burlington, Wisconsin



Prepared by:

Jon Cameron, CIPMA
Senior Municipal Advisor

And

Brian Roemer
Financial Specialist



Status Update - Water Utility Rate Study
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Memo

To: The City Council, City of Burlington, WI

From: Jon Cameron, Ehlers 
 Brian Roemer, Ehlers 

Cc: Steve DeQuaker, Finance Director/Treasurer; Peter Riggs, Public Works Director

Date: September 4, 2018

Subject: City of Burlington, WI Status Update – 2018 Water User Rate Study

This memo is intended to inform the City Council of progress on the Water User Rate Study (“the Study”) being completed by Ehlers & Associates. The first phase of the Study is complete, and we have filed the Application to Increase Water Rates with the Wisconsin Public Service Commission (“the PSC”). The application was submitted on July 30th, 2018 and accepted by the PSC on July 31st, 2018. We are working with City and PSC staff through the continued PSC proceedings. The typical timeframe for rates to go into effect after submittal of the application is five to seven months.

Study Background:

Burlington Municipal Waterworks’ (“the Utility”) last rate increase took effect January 27th, 2016 through a Simplified Rate Case. The last Conventional (or Full) Rate Case was completed in February 2011. The reason the Utility wanted to pursue another Full Rate Case is continued addition to Utility Plant in Service since 2011 (12,864,368 to 17,811,625) to accommodate for growth. In addition, since the last rate case operating expenses (O&M, Depreciation, and taxes) have increased by 18% (Test Year 2010 – Test Year 2018). This has meant the utility is operating with an Rate of Return averaging 1.97% below the PSC benchmark of 4.90% over the previous four years (see PSC Annual Reports 2014-2017). In addition, the 2016 Financial Management Plan completed by Ehlers also recommended the Utility complete a conventional rate case in 2018.

Study Progress:

The Study was to be completed in three phases. See the table below for the progress of the Study with detail to follow.

Phase	Components	Description	Completion
One	Information Request and Review	Gather information to complete PSC Application	Completed





Two	Water Rate Study	Submit Application to Increase Rates	Completed
		Review PSC Cost of Service Analysis	In progress
		Preparation of Report and Presentation	In progress
		Represent City at PSC public hearing	To be completed
Three	Long Range Cash Flow Analysis	Prepare Long Range Cash Flow	In progress

PSC Proceedings:

As stated above the application was submitted and then accepted on July 31st, 2018. Next the PSC will assign an auditor to review the details of the application and ensure a full and correct representation of the current state of the Utility. This review process takes one to two months and requires staff involvement to present further details on historical and current matters of the Utility. Once the auditor verifies the information, they establish a revenue requirement to which rates need to be increased to recover. The Utility will then have an opportunity to agree or disagree with the revenue requirement. Once the utility agrees, the case is assigned an Analyst to perform a Cost of Service Analysis and proposed rate design to ensure rates will be fair and equitable to all customer classes. This analysis usually takes several weeks. After the Cost of Service Analysis is complete it is presented to the Utility, and the case is assigned a public hearing date. The PSC then signs the Certificate of Authority and Order for the proposed rates and hearing date. After the public hearing, a final decision is signed and served, and rates are put into effect (assuming they are approved by the PSC). This final step usually occurs within seven to fourteen days after the public hearing.

Notes from the Application:

One key portion of the revenue requirement is a rate of return (“ROR”) on utility financed assets in service. The PSC establishes a benchmark ROR for all utilities, which is set to the current market cost of a 30-year municipal bond plus 200 basis points (+2.00%). The current PSC benchmark ROR is 4.90%. We have initially requested a 3.0% ROR in the submitted application, which when combined with the other pieces of the revenue requirement results in an increase to revenues of 12.34%. At this lower than benchmark ROR the Utility can still maintain 90 days of cash available, operate with a positive cash flow, and satisfy debt service coverage requirements on its outstanding debt. Please refer to the pages following this memo for information regarding the financial performance at lower than benchmark ROR.

Next Steps:

The PSC will determine if the lower than benchmark ROR is appropriate. We will continue to work with staff through the steps of the CRC as described in the “Progress of the Study” section above. Based on conversations with staff, we plan to represent the Utility at the PSC public hearing and speak on the Utility’s behalf. Once the PSC proceedings have concluded, we will revise and be willing to present the outcomes of the case and the Long-Range Cash Flow Analysis.



Table 1 Water Utility Cash Flow Analysis - Projected 2018-2027 (w/ 3.00% ROR)

City of Burlington, WI

	Actual		Budget	Projected								
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues												
Total Revenues from User Rates ¹	\$2,345,933	\$2,400,930	\$2,393,551	\$2,652,538	\$2,732,115	\$2,732,115	\$2,814,078	\$2,814,078	\$2,898,500	\$2,898,500	\$2,985,455	\$2,985,455
Percent Increase to User Rates Required			12.34%	0.00%	3.00%	0.00%	3.00%	0.00%	3.00%	0.00%	3.00%	0.00%
Cumulative Percent Rate Increase			12.34%	12.34%	15.71%	15.71%	19.18%	19.18%	22.76%	22.76%	26.44%	26.44%
Other Revenues												
Interest Income	\$2,522	\$12,266	\$12,297	\$12,327	\$12,389	\$12,451	\$12,513	\$12,576	\$12,639	\$12,702	\$12,829	\$12,957
Other Income	\$16,509	\$17,452	\$39,250	\$39,643	\$40,039	\$40,439	\$40,844	\$41,252	\$41,665	\$42,081	\$42,923	\$43,781
Total Other Revenues	\$19,031	\$29,718	\$51,547	\$51,970	\$52,428	\$52,890	\$53,357	\$53,828	\$54,303	\$54,783	\$55,752	\$56,739
Total Revenues	\$2,364,964	\$2,430,648	\$2,445,098	\$2,704,508	\$2,784,543	\$2,785,005	\$2,867,435	\$2,867,906	\$2,952,804	\$2,953,284	\$3,041,207	\$3,042,194
Expenses												
Operating and Maintenance	\$1,052,610	\$1,158,217	\$1,271,698	\$1,309,519	\$1,348,468	\$1,388,579	\$1,429,886	\$1,472,425	\$1,516,234	\$1,561,349	\$1,607,810	\$1,655,658
PILOT Payment	\$515,875	\$480,913	\$498,911	\$500,000	\$510,000	\$520,200	\$530,604	\$541,216	\$552,040	\$563,081	\$574,343	\$585,830
Net Before Debt Service and Capital Expenditures	\$796,479	\$791,518	\$674,489	\$894,989	\$926,075	\$876,226	\$906,945	\$854,265	\$884,530	\$828,853	\$859,054	\$800,706
Debt Service												
Existing Debt P&I	\$393,281	\$395,770	\$474,959	\$476,008	\$478,774	\$490,755	\$496,917	\$271,497	\$269,800	\$272,874	\$270,714	\$273,321
New (2018-2027) Debt Service P&I			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$393,281	\$395,770	\$474,959	\$476,008	\$478,774	\$490,755	\$496,917	\$271,497	\$269,800	\$272,874	\$270,714	\$273,321
Transfer In (Out)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Improvements ²	\$253,965	\$1,074,230	\$273,375	\$259,169	\$272,127	\$285,734	\$300,021	\$315,022	\$330,773	\$347,311	\$364,677	\$382,911
Bonds/Grants Proceeds	\$0	\$1,006,460	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Annual Cash Flow	\$149,233	\$327,978	(\$73,845)	\$159,812	\$175,173	\$99,738	\$110,008	\$267,746	\$283,958	\$208,669	\$223,663	\$144,475
<u>Restricted and Unrestricted Cash Balance:</u>												
Balance at first of year			\$771,569	\$697,724	\$857,536	\$1,032,709	\$1,132,446	\$1,242,454	\$1,510,200	\$1,794,157	\$2,002,826	\$2,226,489
Net Annual Cash Flow Addition/(subtraction)			-\$73,845	\$159,812	\$175,173	\$99,738	\$110,008	\$267,746	\$283,958	\$208,669	\$223,663	\$144,475
Balance at end of year		\$771,569	\$697,724	\$857,536	\$1,032,709	\$1,132,446	\$1,242,454	\$1,510,200	\$1,794,157	\$2,002,826	\$2,226,489	\$2,370,964
ROR	2.54%	3.36%	1.13%	3.09%	3.29%	2.76%	2.95%	2.34%	2.52%	1.84%	2.01%	1.23%
Days Cash on Hand	42	164	129	168	209	230	253	311	370	408	448	468

Notes:

1) 2018 User Rate Revenue shown with Increase requested in Application and recovers only a quarter-year of new rates. Future revenues do not accommodate for any fluctuations in customer count or usage.

2) Capital Improvements beyond 2018 are shown as the 5-year average 2014-2018 and increasing by 5% each year.

Table 4 Statement of Projected Debt Coverage (3.00% ROR)

City of Burlington, WI

Year	Amount Available for Debt Service	Total Existing Revenue Bond P&I	2018-2027 Revenue Bond P&I	Total Water Debt Service	Coverage
2018	674,489	407,509			
2019	894,989	406,555		410,164	2.18
2020	926,075	410,164		410,164	2.26
2021	876,226	408,172		408,172	2.15
2022	906,945	410,602		410,602	2.21
2023	854,265	181,632		181,632	4.70
2024	884,530	181,600		181,600	4.87
2025	828,853	181,566		181,566	4.57
2026	859,054	181,532		181,532	4.73
2027	800,706	181,497		181,497	4.41
2028	830,283	181,461		181,461	4.58
2029	768,611	181,425		181,425	4.24
2030	797,454	181,387		181,387	4.40