

**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, August 29, 2018 at the DePere City Hall, Council Chambers, 335 South Broadway, DePere, WI

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**Present:** Allouez – Christopher Sampson  
De Pere – Larry Delo  
Howard – Geoff Farr  
Lawrence – Patrick Wetzel

**Absent:** Bellevue

**Excused:** Ledgeview

**Also Present:** Nic Sparacio, Manager  
Gary Rosenbeck-McMahon, Inc.  
Vicki Hellenbrand – Baker Tilly

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The meeting was called to order by Vice-President Farr at 3:05 p.m. Patrick Wetzel stated that he may need to leave the meeting for another commitment depending on the length of the meeting.

**Roll Call:**

Roll Call was taken as recorded above.

**Approval of the Agenda:**

**Motion made by DePere, seconded by Allouez to approve the agenda.  
MOTION UNANIMOUSLY APPROVED**

**Approval of Minutes:**

**Motion made by DePere, seconded by Howard to approve the minutes of the regular meeting of July 25, 2018. MOTION UNANIMOUSLY APPROVED**

**Public Comment:** None

**Appearances:**

1. **Baker Tilly regarding 2017 Audit**

Vicki Hellenbrand of Baker Tilly was present to address the 2017 Audit. Hellenbrand stated that it was a clean audit, meaning that the financial statements comply with applicable accounting standards. She recommends that the Board pay attention to unrestricted cash balance and debt coverage requirements as they think about the future and the 2019 budget. Reduction in the unrestricted cash balance was planned in years past, but it is recommended that it not drop below 25% of total annual expenditures.

Hellenbrand stated relative to the 2019 budget that the Operation and Maintenance Reserve and the Renewal and Replacement Account are both self-restricted by the Authority. These funds can then be un-restricted by the

Authority if needed to cover expenses. She further explained that unrestricted cash balance and debt coverage requirements become most important when the Authority seeks to borrow additional funds or issue new bonds in the future.

Questions/Comments:

Larry Delo stated that rate stabilization reimbursements are proposed for elimination in the 2019 budget and asked whether there may be other sources of funds that can be used to phase them out more gradually. Hellenbrand replied that it could be possible and pointed out that the Operation and Maintenance Reserve and the Renewal and Replacement Account can be un-restricted by the Authority. She also noted that Sparacio and she will be talking with the Authority's bond counsel and bond advisor next week and will raise these questions with them as well.

Geoff Farr asked whether certain capital projects could be delayed in order to reduce impact to the unrestricted cash balance. Hellenbrand responded that prioritizing capital projects could help and noted that the Renewal and Replacement Account has \$2 million available that can be used for capital projects. Nic Sparacio noted that a portion of the annual capital improvement plan was slated to come from restricted funds in the 2018 budget, and that is proposed in the 2019 budget as well.

Delo asked whether any anticipated capital projects would require bonding. Gary Rosenbeck stated that the potential emergency interconnect with the Green Bay Water Utility would likely be a large project where borrowing may be needed. However, this potential project is still in the research stage and may or may not be financially feasible or advisable. More information is needed before considering the emergency interconnect. Sparacio stated that there are no other capital projects that would require borrowing in the 10-year plan.

Sparacio requested that the audit report be approved and that he and Board President Burdette be authorized to execute the Management Representations Letter if it is substantially similar to last year's Letter.

**Administrative Actions & Reports:**

1 **Update on 2017 Audit:**

This was discussed under the related Appearances item above.

**Motion made by DePere, seconded by Lawrence to approve the 2017 Audit as recommended by the Manager and authorize both he and the Board President to sign the Management Representations Letter if substantially similar to the previous year's letter. MOTION UNANIMOUSLY APPROVED**

2. **Presentation and Discussion on Preliminary 2019 Budget:**

The proposed 2019 Annual Budget, Capital Improvement Program, and Member Cost Allocation was provided to Board members in advance of the meeting. Sparacio introduced the budget by noting that the purpose of today's meeting is to have discussion only. Action on the budget cannot take place until after the budget hearing is held.

Sparacio presented an overview of the proposed 2019 budget, capital improvements, and member cost allocation. While operating costs are projected to increase slightly, the impact to rates continues to be amplified by declining water consumption, which is a nation-wide trend. The Authority is continuing to work toward greater operational efficiencies through capital projects and cooperative efforts. Key to this budget is that the Authority must determine the right time to end rate stabilization as funded by revenues from the 2014 advance refunding of bonds. The earmarked \$2.5 million for rate stabilization purposes was depleted more quickly than anticipated, and future reimbursements will reduce the Authority's unrestricted cash balance. As noted by Baker Tilly, it is recommended that unrestricted cash be maintained at no less than 25% of annual expenses. If rate stabilization continues to the same level that it had in the past, the unrestricted cash balance would drop below 25%.

The Board discussed the impact of rate stabilization on unrestricted cash balance. There was a consensus that a portion of the restricted Renewal and Replacement Account should become unrestricted to help with capital project costs. There was also a consensus that the member communities are not able to financially absorb ending rate stabilization in the 2019 budget. It would be preferable to phase it out over multiple years. The Board also discussed whether adopting a policy setting a goal for unrestricted cash balance would be helpful with bond rating surveillance.

Chris Sampson asked how long the rate stabilization funds were originally intended to last. Sparacio explained that the original allocation was intended to last until 2021. The schedule shown in the budget document changes each year, so the total cost impact now shown exceeds the original \$2.5 million.

Rosenbeck reminded the Board that the Authority was able to build the storage facilities without increasing debt, and this is also a reason why unrestricted cash has been reduced. The 2014 bond refunding helped pay for the project, and unrestricted funds were also used to pay for part of the project.

Sparacio continued with initiatives for 2019 and pointed out some errors in Appendix C of the draft budget related to the 2017 actual expenditures. He offered to present the budget locally or meet with any elected officials if needed. No action was taken, but Sparacio was directed to revise the draft budget per the discussion, review the CIP with the Technical Committee for potential revisions, and present a Revised Budget at the September Board meeting. The budget hearing would then be anticipated for the October Board meeting.

The Board discussed the potential timeline for adding new member communities. This is at least a two to three year process, so the discussion around ending rate stabilization in the next two years would not impact the ability to add a new member.

3. **Utility Cooperation/Collaboration Study Professional Services Agreement from Raftelis:**

Farr asked whether the Green Bay Water Utility approved their sub-agreement for the Utility Cooperation/Collaboration Study. Sparacio reported that the

GBWU Commission did indeed approve of their sub-agreement and will be contributing about \$90,000 toward the project cost

**Motion made by DePere, seconded by Howard to approve the Utility Cooperation/Collaboration Study Professional Services Agreement from Raftelis as presented. MOTION UNANIMOUSLY APPROVED**

4. **Utility Cooperation/Collaboration Study Sub-Agreement with Green Bay Water Utility:**

This was discussed along with the related Utility Cooperation/Collaboration Study item.

**Motion made by DePere, seconded by Howard to approve the Utility Cooperation/Collaboration Study Sub-Agreement with the Green Bay Water Utility. MOTION UNANIMOUSLY APPROVED**

5. **Financial Report:**

**Motion made by DePere, seconded by Lawrence to approve the Financial Report. MOTION UNANIMOUSLY APPROVED**

6. **MPU Take- or-Pay Invoice:**

Sparacio explained that he has reviewed this issue with Authority Attorney, Lawrie Kobza. Her recommendation is to pay the invoice and not pursue the matter further, but instead focus its continuing efforts to resolve conflicts with MPU in other areas likely to be more fruitful. Sparacio also noted that MPU agreed to waive the interest and accept payment of the premium as satisfaction of the invoice as requested by the Board. The invoice will be approved with the vouchers.

7. **Pay Authorizations: Vouchers:**

**Motion made by DePere, seconded by Lawrence to approve the Pay Authorizations/Voucher List including the MPU Take-or-Pay Invoice in the amount of \$94,219.23. MOTION UNANIMOUSLY APPROVED**

8. **Update Corporate Resolution for Investment Accounts:**

Wetzel explained that this document was simplified to a Certificate of Incumbency and no longer includes a Corporate Resolution. The purpose is to update the investment accounts with the names of the current Manager and Board members.

**Motion made by Howard, seconded by DePere to authorize the Secretary/Treasurer to sign the Certificate of Incumbency as modified by the CBCWA Attorney. MOTION UNANIMOUSLY APPROVED**

At this time, Wetzel needed to depart from the meeting.

**Adjourn:**

**Vice-President Farr adjourned the meeting at 4:30 p.m. due to lack of a quorum.**

**Technical Committee Recommendations:**

1. **Draft Capital Improvement Plan for Inclusion in the 2019 Budget:**  
This item was not discussed.
2. **Proposal for (Corrosion Monitoring System) Troubleshooting and Interference testing from NIS:**  
This item was not discussed.
3. **Termination of McMahon Inc. Task Order 25, approval of McMahon Assoc. Task Order 3, and authorization for McMahon to bid the project:**  
This item was not discussed.
4. **Termination of McMahon Inc. Task Order 27, and approval of McMahon Assoc. Task Order 4:**  
This item was not discussed.

**Project Update and Status Reports:**

1. **Engineer's Report:**  
This item was not discussed.
2. **Manager's Report:**  
This item was not discussed.

**Old Business:** None

**New Business:** None

**Next Meeting:**

September 26, 2018

Suggested Agenda Items for next meeting on September 26, 2018:

- 1) Continued Board discussion on budget alternatives

Respectfully submitted,

Rae G. Knippel  
Transcription