

**CITY OF NEENAH
FINANCE AND PERSONNEL COMMITTEE MEETING
Monday, December 10, 2018 – 6:30 p.m.
Hauser Room, Neenah City Administration Building
211 Walnut Street, Neenah, Wisconsin**

NOTICE IS HEREBY GIVEN, pursuant to the requirements of Wis. Stats. Sec. 19.84, that a majority of the Neenah Common Council will be present at this meeting. Common Council members may be present to gather information about a subject over which they have decision-making responsibility. This constitutes a Meeting of the Neenah Common Council and must be noticed as such. The Council will follow the same agenda as the committee, but will not take any formal action at this meeting.

AGENDA

1. Public Appearances
2. Approval of Minutes from the October 29, 2018 Regular Meeting (minutes can be found on the City's website).
3. 2019 Salary Plan (attachment) H. Barber
4. Excess Public Land at North Western Avenue (attachment) B. Schmidt
5. Woodenshoe Road Annexation (attachment) M. Easker
6. Sanitary Sewer Lateral Assessments (attachment) G. Kaiser/J. Godlewski
7. Adjournment

In accordance with the requirements of Title II of the Americans with Disabilities Act (ADA), the City of Neenah will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities. If you need assistance, or reasonable accommodation in participating in this meeting or event due to a disability as defined under the ADA, please call **the Neenah Finance Department at (920) 886-6140** or the **City's ADA Coordinator at (920) 886-6106** or e-mail attorney@ci.Neenah.wi.us at least 48 hours prior to the scheduled meeting or event to request an accommodation.

CITY OF NEENAH
FINANCE AND PERSONNEL COMMITTEE MEETING
Monday, November 26, 2018 – 6:30 p.m
Hauser Room, Neenah City Administration Building
211 Walnut Street, Neenah, Wisconsin

MINUTES

Present: Chairman Erickson; Aldermen Kunz, Boyette, Steele and Stevenson; Mayor Kaufert; City Attorney Godlewski; Director of Finance Easker

Others Present: Alderman Lang, Director of Human Resources and Safety Barber; Director of Community Development Haese; Director of Public Works Kaiser; Police Chief Olson; Director of Information Systems Wenninger; Deputy Director of Community Development Schmidt; Civil Engineer Kummerow

Public Appearances: None.

Minutes: Motion/Second/Carried Kunz/Stevenson to approve the minutes from the October 29, 2018 Regular Meeting. All voting aye.

Enhanced Vacation Policy: Committee reviewed memo from Director Barber recommending Council approve three weeks of vacation for Stephanie Gruss upon hire. Specific Committee and Common Council approval is necessary since the current police union contract does not allow for vacation for new officers until after one year of service. The request is based upon Ms. Gruss' 18 years of previous experience as both a patrol officer and detective with the City of Menasha. Director Barber indicated that the ability to provide enhanced benefits is a valuable recruiting tool when attempting to hire the best and brightest police officer candidates.

Committee and staff discussed various aspects of the requested vacation enhancement. Issues discussed included the union vacation schedule and how it compares with neighboring communities, and the potential to both provide the Human Resources Director this type of flexibility in the future and to negotiate a change in the police vacation schedule in upcoming police union negotiations.

Motion/Second/Carried Stevenson/Boyette recommending Council approve three weeks of vacation for Stephanie Gruss upon hire. All voting aye.

Motion/Second/Carried Boyette/Stevenson to move up consideration of agenda item 2019 BID Operating Plan and Schedule of Assessments. All voting aye.

Resolution No. 2018-26 2019 BID Operating Plan and Schedule of Assessments: Committee reviewed memo from Deputy Director Schmidt recommending Council adopt Resolution No. 2018-26, approving the Neenah Central City Business Improvement District 2019 Operating Plan. The plan includes a schedule of assessments totaling \$136,694, with an additional funds carryover of \$7,956, for a total 2019 budget of \$144,650. Items discussed included the timing of the City budget approval and the BID Assessment approval and the types of grants that were approved by the BID in 2018.

REPORT

RESOLUTION

Motion/Second/Carried Stevenson/Kunz recommending Council adopt Resolution No. 2018-26, approving the Neenah Central City Business Improvement District 2019 Operating Plan. All voting aye.

Approval to Enter into an Agreement with CentralSquare Technologies to Implement Identified ERP Modules: Committee reviewed memo from Director Wenninger requesting approval to enter into a ten year Solutions Agreement with CentralSquare Technologies. Funding would consist of the \$425,000 already borrowed as part of the I/S Department's Capital Improvement Plan (CIP), with a funding source to be identified by Council and staff when the CIP funds are expended. The request is an update as part of ongoing discussion and negotiations the City has had with the City's existing core financial software provider, previously known as Superion. The agreement would include the City agreeing to purchase six additional modules to incorporate into the City's "Hybrid ERP" strategy, under which the City will purchase all future software modules within the Central Square/Superion software structure unless there is a compelling reason to purchase software from another source or vendor. The purchase would also include the ten year subscription and professional services costs, costs that include the migration of all Superion software to a cloud based platform within that ten year period. The cost of the ten year commitment is \$1,197,073, if the City agrees to the commitment by December 31, 2018. That compares to a previous cost of \$1,593,075 that was quoted prior to more recent software demonstrations and ongoing negotiations that were held to determine which new software modules the City was willing to commit to and purchase. The City's internal ERP staff committee has reviewed the outline of the agreement and agrees with the final recommendation.

Committee and staff discussed various aspects of the proposed agreement. Director Wenninger guided the Committee through the City's existing and proposed software systems and how they interact with each other, both now and in the future. Specific items discussed included the long history the City has had with Superion products, the vetting that took place to determine which modules were included and which were left out of the final agreement, the potential time frame to implement the additional modules and the financial timeline to pay for the agreement, including whether the future funding would come from borrowed funds or operating levy funds.

Motion/Second/Carried Kunz/Stevenson recommending Council's approval to enter into a ten year Solutions Agreement with CentralSquare Technologies with ten year subscription costs of \$933,097.01 and Professional Services costs of \$263,976.00 for a total cost of \$1,197,073.01. Funding will consist of the \$425,000 in Information Systems CIP budget, with a funding source to be identified by Council and staff when the CIP funds are expended, and with City staff to submit both a proposed timeline for module implementation and a proposed ten year financial payment structure, for consideration at a future committee meeting. All voting aye.

REPORT

Sanitary Sewer Lateral Assessments: Committee reviewed memo from Director Kaiser with regard to the impact of having the sanitary sewer utility cover the cost of lateral replacements. The discussion is the next step in the process to meet the Common

Council's goal of reducing or eliminating large special assessments to property owners for street and utility capital projects. The first step was settled with the establishment of the Transportation Assessment Replacement Fee (TARF) on all City properties, which eliminates special assessments for street reconstruction and sidewalk/trail construction starting in 2019. Director Kaiser provided the Committee three initial options for consideration. He indicated that he and his staff preferred the third option, which would not totally eliminate special assessments to cover the cost of lateral replacements but would instead create an incentive driven partnership between the property owner and the City to replace sewer laterals both in the City right-of-way from the street to the curb as well as from the curb to the house or building receiving sewer service. Director Kaiser indicated that the replacement of both laterals is important to reduce infiltration/inflow (I/I) within the City. He provided examples of how other communities are using a similar approach.

Committee and staff discussed various aspects of the proposed options. Specific discussion took place on the potential cost increases to the overall sanitary sewer rate structure if special assessments are reduced or eliminated. Upon questioning, Civic Engineer Kummerow explained the extensive interaction staff has with property owners who are faced with the need to replace sewer laterals located on their property. Alderman Kunz said he was in favor of a fourth option, which is a program that would totally eliminate special assessments for the replacement of sewer laterals on both the right-of-way and private property, and would favor an increase in the sanitary sewer rate charged to all sewer users to cover the costs. Discussion took place on the merits of such an approach and whether state laws governing equity among property owners would fully allow for such a program.

Following further discussion, Committee instructed staff to research Alderman Kunz's proposed option for discussion at the next committee meeting. Items to be prepared included:

1. The general age of all sewer laterals in the City;
2. The estimated cost to sewer rate payers of infiltration/inflow (I/I);
3. The estimated cost increase of the proposed program to the sanitary sewer rates, including options for charges within the rate structure; and
4. The legal implications of such a program with regard to state laws governing equity among property owners.

Fiscal Matters: October Vouchers: Motion/Second/Carried Stevenson/Boyette to approve the October vouchers as presented. All voting aye.

Fiscal Matters; Third Quarter Financial Statements: Discussion took place on various aspects of the Third Quarter 2018 Financial Statements.

Motion/Second/Carried Stevenson/Steele to approve and place on file the Third Quarter Financial Statements as presented. All voting aye.

Motion/Second/Carried Boyette/Stevenson to adjourn the meeting at 9:25 p.m. All voting aye.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M.K. Easker". The signature is written in a cursive, somewhat stylized font.

Michael K. Easker, CPA
Director of Finance



Dept. of Human Resources and Safety
211 Walnut St. • P.O. Box 426 • Neenah WI 54957-0426
Phone 920-886-6102 • e-mail: hbarber@ci.neenah.wi.us
HEATHER BARBER
DIRECTOR OF HUMAN RESOURCES AND SAFETY

MEMORANDUM

DATE: December 5, 2018
TO: Chairman Erickson and Members of the Finance and Personnel Committee
FROM: Heather Barber, Human Resources *HB*
RE: 2019 Salary Plan

Throughout the salary plan discussions, I mentioned that we would be proposing to follow a similar increase schedule as we have in previous years if the Council approved the amount requested by the Mayor for wage increases.

Here are the summarized plan recommendations for 2019 based on the budgeted amount approved by Council:

1. January 1st cost of living adjustment of 1% for all non-union employees covered by the salary plan (excludes employees on the step plan)
2. April Exemplary Performance Awards - .5% of pay, not added to base for a small group of employees
3. July 1st merit increase with an average increase of 1.25% (excludes employees on step plan)
4. October midpoint adjustments with an average increase of 1% for employees below midpoint and not on the step plan

Staff requests a recommendation to Council to approve the schedule as outlined above.



MEMORANDUM

DATE: December 5, 2018
TO: Chairman Erickson and the Finance and Personnel Committee
FROM: Brad Schmidt, AICP, Deputy Director
RE: Excess Public Land at N. Western Avenue

WE Energies (Company) is constructing a new electric substation located at 181 N. Western Avenue. The reconstruction of the substation required the Company to purchase additional land east of their current facility from Eggers Industries and a small portion of City-owned land west of the facility. Common Council approved the sale of the City-owned property in late 2017.

Due to the location of overhead powerlines, WE Energies needed to bury wires west of their property on City-owned land. In order to avoid confusion in the future about ownership of the subject land, the City is proposing to transfer ownership to WE Energies.

The City nor the Neenah Water Utility has any immediate or future need for the subject land. There are no plans to extend Western Avenue north and the land has no viable development opportunity. Land north of the subject property is owned by Eggers Industries while land west is owned by the City. The City of Neenah/Village of Fox Crossing municipal boundary is north and west of the subject land.

Plan Commission will need to declare the subject property excess public land before the sale of the property can commence. Failure to declare the parcel excess public property, Staff will propose an easement to allow WE Energies to bury their wires on the City-owned property.

Recommendation

Appropriate action at this time is to recommend the Common Council authorize the sale of public land as described in Exhibit A to Wisconsin Electric Power Company for \$1.00.

Description for land transfer from City of Neenah to WE Energies

Part Government Lot 2, of Section 21, Township 20 North, Range 17 East, City of Neenah, Winnebago County, Wisconsin, containing 4,369 Square Feet (0.1003 Acres) of land described as follows:

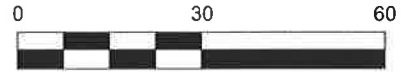
Commencing at the West 1/4 corner of Section 21; thence along the West line of the Northwest 1/4 of said Section 21, N00°14'45"W, 235.66 feet; thence N89°25'13"E 1325.04 feet to the point of beginning; thence, along the South line of Lot 2 of CSM 6995, N89°25'13"E 30.00 feet to the Northwest corner of Lot 1 CSM 7311; thence along the West line of said Lot 1, S00°12'24"E, 145.62 feet; thence, along said West line, S89°25'09"W, 30.00 feet to the East line of N. Western Avenue (un-improved); thence along said right of way line, N00°12'24"W, 145.62 feet the point of beginning, subject to all easements, and restrictions of record.

Exhibit A

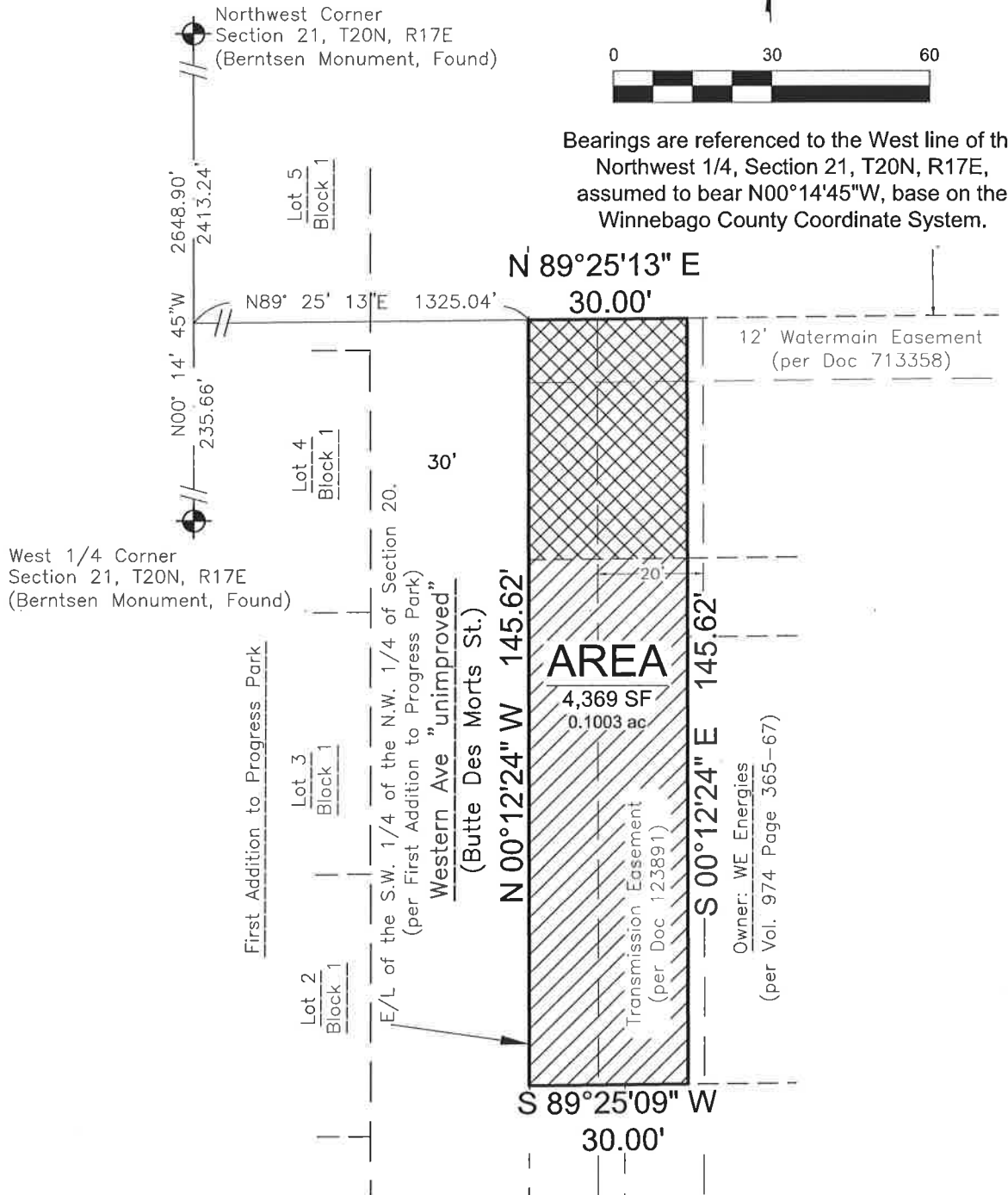


City of Neenah Lands
described in Doc 713707

City of Neenah Lands
described in V702 P 473-74



Bearings are referenced to the West line of the Northwest 1/4, Section 21, T20N, R17E, assumed to bear $N00^{\circ}14'45''W$, base on the Winnebago County Coordinate System.



Davel Engineering & Environmental, Inc.
Civil Engineers and
Land Surveyors
1811 Racine Street
Menasha, Wisconsin
Ph. 920-991-1866, Fax 920-830-9595

File: 4967ALTA legal2.dwg
Date: 11/29/2018
Drafted By: jim
Sheet: Exhibit



Department of Finance
211 Walnut St., P.O. Box 426, Neenah, WI 54957-0426
Phone: 920-886-6140 Fax: 920-886-6150
website/e-mail: www.ci.neenah.wi.us

MEMORANDUM

TO: Mayor Kaufert, Finance and Personnel Chairman Erickson, Members of the Finance and Personnel Committee
FROM: Michael K. Easker, Director of Finance *MKE*
DATE: December 5, 2018
RE: Annexation Impact Report - Annexation #210 (Woodenshoe Road - Town of Vinland) - 7.5 acres

In accordance with Section 26.29 (3) of the City of Neenah Municipal Code, the following information summarizes the anticipated impact of the above referenced annexation being proposed. All detailed impact reports are attached.

A. PUBLIC IMPROVEMENT-ESTIMATED COSTS

1. City	\$0.00
2. Water Utility - Install 12 meters	2,280.00
Total Estimated Costs	\$2,280.00

B. ESTIMATED REVENUES

Current

1. City (Fees)

a). City and State review fees	\$0.00
b). Oversized sanitary sewer interceptor fee - 29.299 acres @ \$1,000/acre	7,503.00
c). Storm Sewer fee - 29.299 acres @ \$5,000/acre	37,515.00

2. Water Utility

a). Rate Revenue Annually	5,253.00
Total Current Fees	50,271.00

Deferred Assessments

1. City

a). Sanitary Sewer	\$0.00
b). Pavement	0.00
c). Engineering, inspection, contract administration	0.00

2. Water Utility

a). Watermain	0.00
Total Deferred Assessments	0.00

Total Current/Deferred Estimated Revenues **\$50,271.00**

C. PERSONNEL, EQUIPMENT, BUILDINGS

No department reported the immediate need for any additional personnel, equipment or buildings as a result of the proposed annexation.

D. RECOMMENDATIONS

The following departments that have expressed an opinion all recommend approval of the proposed annexation: Community Development, Public Works, Water, Police, Fire/Rescue Parks and Finance.

NORTHEAST CORNER
SEC. 12, T.19N., R.17E.
BERTSEN MON. FOUND

T. OF NEENAH
C. OF NEENAH

C.T.H "G"

UNPLATTED
LANDS

LOT 1
CSM No. 7393

LOT 2
CSM No. 7393

LIBERTY
PARK

LOT 3
CSM No. 7393

LOT 1
CSM No. 1954

CSM No.
1704

T. OF VINLAND
C. OF NEENAH
661.37'

67 68 69

LOT 2
CSM No. 1954

BRIGGS LANE

N88°39'15"E 666.89'

UNPLATTED
LANDS
DOCUMENT No.
1712550

540'±
N00°36'24"W
510.78'

633.86' 33.03'

ROAD
RIGHT-OF-WAY
DEDICATED BY
CSM No. 7383

TAX PARCEL
No. 026025603

TOTAL
INCLUDING
ROAD

LOT 2
CSM No. 7383
326,847 S.F.±
7.503 ACRES±

RIGHT-OF-WAY
343,067 S.F.±
7.876 ACRES±

E. LINE OF THE NE 1/4, SEC. 12
S00°36'47"E 2645.51'

63 62 61

60

59

LIBERTY
HEIGHTS
SUBDIVISION

64

58

65

57

29'±
510.78'

S84°28'08"W

669.36'

MEANDER LINE

MEANDER LINE

CENTERLINE OF
INTERMITTENT
STREAM

LOT 1
CSM No. 7383

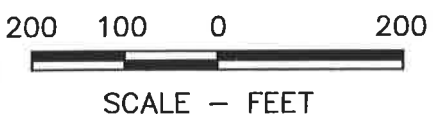
WOODSHOE ROAD

C. OF NEENAH
T. OF NEENAH

LOT 1
CSM No. 7331

LOT 2
CSM No. 2931

EAST 1/4 CORNER
SEC. 12, T.19N., R.17E.
BERTSEN MON. FOUND



SCALE - FEET



Department of Public Works
 211 Walnut St. • P.O. Box 426 • Neenah WI 54957-0426
 Phone 920-886-6241 • e-mail: gkaiser@ci.neenah.wi.us
 GERRY KAISER, P.E.
 DIRECTOR OF PUBLIC WORKS

M E M O R A N D U M

DATE: December 3, 2018
TO: Mayor Kaufert, Chairman Erickson, Members of the Finance and Personnel Committee
FROM: Gerry Kaiser, Director of Public Works
RE: Annexation – Woodenshoe Road Annexation

In response to City Clerk Patty Sturn's memo of November 9, 2018, relative to the above annexation, I submit the following in accordance with Section 26-29, City of Neenah Code of Ordinances.

- A. Additional Personnel: Although this annexation by itself will not require additional personnel, please be advised that the aggregate effect of several small annexations such as this one will eventually require additional personnel to maintain streets and infrastructure, collect garbage and recyclables, and continue to provide the current level of service.
- B. Additional Equipment: No additional equipment will be required.
- C. New Buildings: No new buildings would be required.
- D. Additional Public Improvements and Costs:.....\$0
 - 1. None.
- E. Miscellaneous Costs:.....\$0
 - 1. None.
- F. Estimated Revenues:.....\$45,018
 - 1. Fees
 - a. Oversized existing sanitary sewer interceptor fee at \$1,000/acre. \$ 7,503
 Est. Actual size = 7.503 acres
 - b. Storm sewer fee at \$5,000/acre. \$ 37,515
 Est. actual size = 7.503 acres
 - 2. Deferred Assessments:.....\$0
 - a. Deferred assessments are frontage or connection based. No deferred assessments are due. Costs to serve this property was previously paid by the requestor.

Total Fees and Assessments	\$45,018
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G. Recommendation: This annexation is recommended.



DATE: December 3, 2018
TO: Mayor Kaufert, Finance Committee and Common Council
FROM: Brad Schmidt, Deputy Director
RE: Annexation #210 (Woodenshoe Road – T. of Vinland) – 7.5 Acres

In accordance with Section 26-29 of the Zoning Code, I am submitting the following comments relative to the proposed annexation.

- Costs to the Department as a result of the annexation will be for future land division reviews, development review and property inspections.
- Revenues will be generated from land division fees, development review fees, plan reviews and construction permits.
- The proposed annexation includes approximately 7.5 acres of land along the west side of Woodenshoe Road in the Town of Vinland.
- The purpose of the annexation is to develop the property as a single-family residential subdivision with approximately 12 parcels.
- Upon annexation, the Zoning Classification will be R-1, Single-Family Residence District.
- The proposed annexation will not have any significant impact on the Assessor's operation. As of January 1, 2018, the property was assessed at approximately \$8,840. Per State Statutes, the City is responsible for reimbursing the Town of Vinland for lost tax revenue on the property being annexed for a period of 5 years. The total amount to be reimbursed to the Town is about \$52.15.

Recommendation

The Community Development and Assessments Department recommends Ordinance #2018-18 be approved and the petition for annexation of 7.5 acres located along Woodenshoe Road in the Town of Vinland be accepted.

Neenah Police Department

Interoffice Memorandum

To: Neenah City Council
Mayor Dean Kaufert

From: Chief Aaron L. Olson *ALO*

Re: Woodenshoe Road Annexation

Date: November 26, 2018

The Neenah Police Department has received a copy of the petition for annexation of property on Woodenshoe Road in the Town of Vinland, described as 7.876 acres on Lot 2 of Certified Survey Map Number 7383, recorded document Number 1771789 on 07/31/2018 at 09:11 a.m. and a part of Woodenshoe Road as dedicated by Certified Survey Map Number 7383, located in the Northeast ¼ of the Northeast ¼ of Section 12, Township 19 North, Range 17 East, Town of Vinland, Winnebago County, Wisconsin.

We review annexation requests based on the following criteria:

- Size of proposed annexation
- Anticipated use of property
- Accessibility to emergency vehicles
- 5-year history of law enforcement response to the property
- Impact on safe traffic movement

In this case, the property to be annexed is essentially unpopulated and has no significant history. The key factors for police are size, anticipated use, and traffic concerns.

Size: The size of this annexation is not significant and does not present a police concern in its present use.

Anticipated Use: It is our understanding that the intended use for this property is for industrial use. Traditionally, industrial buildings do not generate a volume of police calls.

Traffic Concerns: Given the size and location of this parcel, there is little concern for increased traffic problems and or accessibility to emergency vehicles.

Recommendation: The police department offers no objection to the proposed annexation.



Memorandum

TO: Deb Calabrese
FROM: Kevin Kloehn, Fire Chief Neenah-Menasha Fire Rescue *KK*
DATE: December 4, 2018
RE: Impact on the 7.9 acre Woodenshoe Road annexation

This memo is reference to the proposed 7.9 acre Woodenshoe Road annexation.

I found that this particular annexation would have no impact to the operations of Neenah-Menasha Fire Rescue as vacant property. However, if this property is used to build or expand a new or existing building this annexation would have an immediate impact on operations such as our inspection bureau.

The property is well within our normal response time and protection capabilities that currently exist with Neenah-Menasha Fire Rescue.

If you have any questions or concerns, please let me know.



*Department of
Parks & Recreation*

DATE: 5 December 2018

TO: Members of the Finance and Personnel Committee
Members of the Plans Commission

FROM: Michael T. Kading, Director of Parks & Recreation

RE: ANNEXATION IMPACT REPORT (Woodenshoe)

We have reviewed the annexation petition and have the following comments:

Service Radius - In general, all citizens should have access to a public park within ½ mile, uninterrupted by non-residential roads and other physical barriers. This area falls within the service radius of Liberty Park.

Additional Personnel – None required.

Additional Equipment –None required.

Additional Improvements – None required.

The annexation is recommended.

Creating Community Through People, Parks & Programs

Department of Parks & Recreation
PO Box 426
Neenah, WI 54957-0426

phone: 920-886-6062
fax: 920-886-6069
email: emccoy@ci.neenah.wi.us



Neenah Water Utility

211 Walnut St. PO Box 426 Neenah, WI 54957-0426

Office: (920) 886-6182 Cell: (920) 858-6300

Email: amach@ci.neenah.wi.us

Anthony L. Mach

Director of Neenah Water Utility

MEMORANDUM

DATE: December 3, 2018
TO: Mayor Kaufert, Chairman Erickson, and Members of the Finance and Personnel Committee
FROM: Anthony L. Mach
RE: Woodenshoe Road Annexation

In accordance with Section 26-29 (3) of the City of Neenah Municipal Code, the following information summarizes the anticipated impact upon the Water Utility of the proposed annexation of 7.876 Acres of property currently located in the Town of Vinland (Woodenshoe Road Annexation), Parcel No. 026025603. Petition dated November 1, 2018.

1. No additional personnel will be required.
2. Upon full development, an estimated twelve (12) water meters will be installed at a cost of \$2,280. These costs will be recovered through quarterly base meter charges.
3. No additional buildings will be required.
4. Water main will be installed from Woodenshoe Rd. to bring water into the annexed area. The Developer will be responsible for all costs incurred for the installation of water mains, valves, services, hydrants, and related appurtenances. All water mains, valves, services, hydrants, and related appurtenances will be installed to Neenah Water Utility specifications.
5. Upon full development, the estimated annual cost to treat and deliver water to the development within the proposed annexed area is \$1,420. The users will be billed for water usage through the quarterly utility bill.
6. The total estimated capital cost is \$2,280.
7. Upon full development, additional Water Utility revenue is estimated to be \$2,800 for water per year, \$1,008 per year for base meter charges, and \$1,445 for fire protection, for a total revenue of \$5,253. Sewer and storm water revenues are not included in these estimates.
8. We recommend approving this annexation.



Department of Public Works
211 Walnut St. • P.O. Box 426 • Neenah WI 54957-0426
Phone 920-886-6241 • e-mail: gkaiser@ci.neenah.wi.us
GERRY KAISER, P.E.
DIRECTOR OF PUBLIC WORKS

M E M O R A N D U M

DATE: December 4, 2018
TO: Mayor Kaufert, and Members of the Finance and Personnel Committee
FROM: Gerry Kaiser, Director of Public Works
Jim Godlewski, City Attorney
RE: Sanitary Sewer Lateral Assessments

At the meeting of November 26, 2018, the Finance & Personnel Committee requested additional information about the impact of having the sanitary sewer utility cover the cost of lateral replacements.

- General Age of Sewer Laterals

Accepted or commonly used materials for sewer lateral construction have changed over the years. Up until the late sixties, the most common material used in this area was vitrified clay tile pipe. Around that time cast iron pipe started being used for laterals. In the early 1970's, truss pipe was used and around 1980 ABS or PVC pipe. PVC is the current pipe material of choice.

We do not have data adequate to accurately note the areas of different pipe material other than looking generally at the age of overall development within an area. There would be considerable work needed to put data together that was sufficient to use as a charging basis for a variable lateral replacement charge.

- Estimated Cost of Infiltration/Inflow to Sewer Rate Payers

The cost to utility rate payers for Inflow/Infiltration (I/I) is comprised of direct costs for treatment of the clear water and costs related to overall system capacity, lift station pump capacity, pump life, and the impact of sanitary sewer bypasses on the receiving water bodies. These latter costs are difficult to estimate.

Treatment Calculation (using 2017 figures):

Neenah Flow at NMSC – Billable Water Flow = I/I

1,938,929,000 gallons - 890,765,000 gallons = 1,048,164,000 gallons

I/I x NMSC Flow Charge = Cost

1,048,164,000 gallons x \$304.87 /Million Gallons = \$319,554

As has been discussed previously, sanitary laterals are a significant source, but not the only source of I/I – the other primary ones being sewer mains, sewer manholes and illegal cross-connections. While the goal is to eliminate I/I, it will take a coordinated effort to address all of the sources.

• Estimated Cost to the Sewer Utility for Partial Lateral Replacement

Option 1:	Part A: Utility pays cost to replace lateral to R/W.
	Part B: Homeowner pays cost from R/W to house (Pipebursting).
Laterals Replaced in 2018:	135
PART A	
Standard Length =	30 feet (length from sewer main to R/W)
Unit Price =	\$ 50.00 per foot (average bid price for item on Contract 1-18)
Cost =	\$ 1,500.00
PART B Pipeburst from sidewalk to house	
Standard Length =	34 feet
Unit Price =	\$ 6.00 per foot
Reconnect in Basement =	\$ 1,800.00
Cost =	\$ 2,004.00
Utility Cost per Lateral =	\$ 1,500.00
Homeowner Cost per Lateral =	\$ 2,004.00
Total Estimated Utility Cost =	\$202,500.00

• Estimated Cost to the Sewer Utility for Complete Lateral Replacement

Option 2:	Part A: Utility pays cost to replace lateral to R/W.
	Part B: Utility pays cost from R/W to house (Pipebursting).
Laterals Replaced in 2018:	135
PART A	
Standard Length =	30 feet (length from sewer main to R/W)
Unit Price =	\$ 50.00 per foot (average bid price for item on Contract 1-18)
Cost =	\$ 1,500.00
PART B Pipeburst from sidewalk to house	
Standard Length =	34 feet
Unit Price =	\$ 6.00 per foot
Reconnect in Basement =	\$ 1,800.00
Cost =	\$ 2,004.00
Utility Cost per Lateral =	\$ 3,504.00
Homeowner Cost per Lateral =	\$ -
Total Estimated Utility Cost =	\$473,040.00

• Lateral replacement Fee Impact on Sewer Rates

The following discussion assumes:

- Annual budget estimate for partial lateral replacement (sewer main to the right-of-way) = \$210,000.
- Annual budget estimate for full lateral replacement (sewer main to the building) = \$500,000.
- Current residential base charge (5/8" meter) = \$21.83 per quarter or \$87.32 per year.
- Program charges for a lateral replacement program would be added to the customer base charge.
- Program applies to all customers and on a per meter basis.
- The charge is the same for all water meter sizes.
- There are about 10,740 meters.

Given the parameters noted above, the rate impact for a program that covers partial replacement would be about \$20 per year and for full replacement about \$47 per year. **For a typical residential**

property, a partial replacement program changes the base meter charge from \$21.83 per quarter to \$26.83 per quarter, or \$87.32 per year to \$107.32 per year (a 23% increase). A full replacement program would change the base meter charge from \$21.83 per quarter to \$33.58 per quarter, or \$87.32 per year to \$134.32 per year (a 54% increase).

In the recent sanitary sewer rate study, the consultant had outlined a rate adjustment assuming that the utility continues to borrow for capital projects. The following three tables compare the consultant's rate recommendations with and without the lateral replacement charge.

City of Neenah
 Public Works Department &
 The Office of the City Attorney
 Sanitary Sewer Lateral Replacement Costs
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Current practice with consultant recommendation				
	2018	2019	2020	2021
Flat Fees (no Base Vol. included):	Quarterly	Quarterly	Quarterly	Quarterly
Increase Factor	0.0%	7.0%	7.0%	7.0%
Meter Size = 5/8"	\$ 21.83	\$ 23.36	\$ 25.00	\$ 26.75
Volume Charge per Thousand Gallons				
Increase Factor	0.0%	7.0%	7.0%	7.0%
City-Standard Volume Charge	\$ 3.190	\$ 3.414	\$ 3.653	\$ 3.909
Interceptor Volume Charge	\$ 1.27	\$ 1.360	\$ 1.460	\$ 1.560
Residential Customer (38,900 gallons/year)				
Fixed Charge	\$ 87.32	\$ 93.44	\$ 100.00	\$ 107.00
Volume Charge	\$ 124.09	\$ 132.80	\$ 142.10	\$ 152.06
Total Estimated Annual Charge	\$ 211.41	\$ 226.24	\$ 242.10	\$ 259.06
Partial Replacement				
	2018	2019	2020	2021
Flat Fees (no Base Vol. included):	Quarterly	Quarterly	Quarterly	Quarterly
Increase Factor	0.0%	7.0%	7.0%	7.0%
Meter Size = 5/8"	\$ 21.83	\$ 28.36	\$ 30.35	\$ 32.47
Volume Charge per Thousand Gallons				
Increase Factor	0.0%	7.0%	7.0%	7.0%
City-Standard Volume Charge	\$ 3.190	\$ 3.414	\$ 3.653	\$ 3.909
Interceptor Volume Charge	\$ 1.27	\$ 1.360	\$ 1.460	\$ 1.560
Residential Customer (38,900 gallons/year)				
Fixed Charge	\$ 87.32	\$ 113.44	\$ 121.40	\$ 129.88
Volume Charge	\$ 124.09	\$ 132.80	\$ 142.10	\$ 152.06
Total Estimated Annual Charge	\$ 211.41	\$ 246.24	\$ 263.50	\$ 281.94
Full Replacement				
	2018	2019	2020	2021
Flat Fees (no Base Vol. included):	Quarterly	Quarterly	Quarterly	Quarterly
Increase Factor	0.0%	7.0%	7.0%	7.0%
Meter Size = 5/8"	\$ 21.83	\$ 35.11	\$ 37.57	\$ 40.20
Volume Charge per Thousand Gallons				
Increase Factor	0.0%	7.0%	7.0%	7.0%
City-Standard Volume Charge	\$ 3.190	\$ 3.414	\$ 3.653	\$ 3.909
Interceptor Volume Charge	\$ 1.27	\$ 1.360	\$ 1.460	\$ 1.560
Residential Customer (38,900 gallons/year)				
Fixed Charge	\$ 87.32	\$ 140.44	\$ 150.28	\$ 160.80
Volume Charge	\$ 124.09	\$ 132.80	\$ 142.10	\$ 152.06
Total Estimated Annual Charge	\$ 211.41	\$ 273.24	\$ 292.38	\$ 312.86

Legal Issues

The committee also raised questions regarding any potential legal issues relating to the use of utility funds to subsidize the installation of replacement laterals. To simplify the question, what public purpose is served by the use of utility funds to offset the cost of lateral replacement? The short answer is that sanitary sewer lateral replacement will minimize the infiltration of clear water into the sanitary sewer system, reducing the volume of effluent entering the system, especially during heavy rain events, resulting in fewer bypass events. That reduction directly benefits the public by reducing the amount of raw sewerage dumped into area waterways without adequate treatment.

In addition, the legislature recently authorized the use of water utility rate revenues to fund the cost of replacing lead laterals. While this memo only deals with the replacement of sanitary sewer laterals, which are not subject to PSC jurisdiction, the authorization to use utility rate revenues to fund the replacement of similar infrastructure indicates that a public purpose does exist to justify public expenditures that have a private benefit. Attached is an article from the Municipality magazine that describes the legislative change as background for the proposal before the committee.



Kenosha Program “Gets the Lead Out”!

Edward St. Peter, Kenosha City Administrator and Water Utility General Manager

Lawrie J. Kobza, Partner, Boardman & Clark LLP

Jared Walker Smith, Attorney, Boardman & Clark LLP

There has been a surge in public awareness of the risks of lead exposure in drinking water. Exposure to lead has been linked to adverse health effects in infants, young children, and pregnant women, and is potentially harmful to adults. Wisconsin drinking water sources have little to no measurable lead. However, if water passes through lead pipes and plumbing, lead may enter the water and cause elevated lead levels at the tap¹. Many communities across the state are investigating the prevalence of lead pipes both in their public distribution system and on private property. Nationally, lead was used in water distribution systems and private plumbing until 1986, although Wisconsin utilities have not installed lead service lines and water mains since the 1960s. Kenosha banned the use of lead plumbing in utility projects in 1937, and the installation of private lead lines was stopped by 1945.

Kenosha, like many other communities with lead pipes, manages lead levels at the tap by using chemical treatment and following good operational practices. The most permanent prevention method, however, is to remove the lead pipes and plumbing which provide the source of the lead. Communities across the state have been removing utility owned lead water mains and service lines, especially during street projects. But financial constraints have limited the removal of the privately owned portion of the lead service line which typically runs from the curb stop to the water meter.

In 2017 Wisconsin Act 137, the Legislature provided municipalities and their water utilities with the authority to establish a financial assistance program to help customers replace their private lead service lines and to fund that financial assistance with utility rates. Prior to Act 137, Wisconsin utilities were prohibited from using revenue from water utility rates to provide funding for private lead service line replacements. While some Wisconsin communities have been able to take advantage of limited state funding or the municipality's own revenues to help fund replacement of

private lead service lines, many communities, like Kenosha, did not have funds available to provide this type of assistance. By allowing municipal utilities to fund financial assistance for private lead service line replacements with utility rates, Act 137 provides a reliable funding source for long-term lead service line removal.

The authority to establish this financial assistance program is principally found in a new statutory section, Wis. Stat. § 196.372. Utilities may provide financial assistance in the form of a grant, a loan, or a combination thereof. In order to establish this type of financial assistance program, the city, village, or town in which the water utility provides service must first enact an ordinance that permits the water utility to provide financial assistance. It must also enact an ordinance that requires every property owner with a private lead service line within its borders to replace that line. Finally, the Public Service Commission of Wisconsin (PSC) must approve the water utility's program. The PSC must grant its approval if it finds that a public utility's proposal is not unjust, unreasonable, or unfairly discriminatory, and if the program satisfies the conditions set out in the legislation. These conditions include a 50 percent of total-cost limit on the amount of any grant, no forgiveness of loans, proportional treatment of customers within the same customer class, and limits on funding sources for the program.

On April 2, 2018, the Common Council of the City of Kenosha adopted a lead service replacement ordinance. The next day, the Kenosha Water Utility filed an application with the PSC seeking approval of its financial assistance program. As the first community to apply for and undergo PSC review, Kenosha met PSC staff and answered questions regarding the specifics of its financial assistance program. This back-and-forth effort paid off. On August 31, 2018, the PSC approved Kenosha's program.

The Kenosha program covers the following considerations:

1. **Replacement priority.** While ordinances adopted under Wis. Stat. § 196.372 must require each owner of property in the community that is serviced by a private lead service line to replace that line, Kenosha, like other utilities, needs to be able to prioritize when private lead service line replacements occur for logistical and financial reasons. The top priorities for funding replacements in Kenosha are (a) properties with leaking or failed lead service lines, (b) private replacements done in conjunction with road projects, (c) schools and day care facilities, and (d) properties where children under the age of 7 or pregnant women reside. Assistance for other replacements will be provided if and when funds are available.
2. **Inventory of private lead service lines.** Kenosha's program requires private lead service lines to be removed. Kenosha, like most utilities, does not have a complete inventory of where private lead service lines exist within the city. Therefore, Kenosha's ordinance requires that property owners provide access to the Utility to inspect service lines and provides for compliance options should access be denied.
3. **Private replacements done in conjunction with utility replacements.** It is likely that, at least initially, most private lead service line replacements will be done in conjunction with utility-owned replacements done as part of a road project. Wis. Stat. § 196.372(2)(b) requires that the private service line be replaced at the same time as the utility service line. This can be difficult to accomplish since in most cases the utility service line is being replaced by a utility contractor and the private service line is being replaced by a different private plumbing contractor. While more specificity on how this coordination is to occur might be wished for, it was important that Kenosha's program not be overly prescriptive and that the program contain enough flexibility to be workable.
4. **Failure to replace private service lines within deadline.** It is especially important that private lead service lines be replaced if utility-owned lead service lines are replaced. If a property owner fails to do so, a utility may need to take steps to mandate compliance. In addition to other authorized compliance methods, Kenosha's ordinance authorizes disconnection of a noncompliant property owner's water service. Kenosha is required to submit a tariff to the PSC which will authorize disconnection for failure to replace a lead service line.
5. **Financial assistance program – amount of assistance provided.** Wis. Stat. § 196.372(3)(c) requires that (a) if a utility provides "financial assistance" as a specific dollar amount that dollar amount must be the same for each owner, and if the utility provides "financial assistance" as a specific percentage of cost, that percentage of cost must be the same for each owner; and (b) grants are limited to no more than one-half of the total replacement cost. Under Kenosha's program, a private property owner served by a private service line constructed of lead may receive financial assistance equal to 100% of the replacement cost. The financial assistance offered is a grant for 50% of the cost of replacement up to a maximum of \$2,000, with a loan available for the rest. The PSC found that this satisfied the statutory requirement of providing each property owner the same percentage of financial assistance.
6. **Financial assistance program – creation of pre-qualified plumbing contractor list.** Private property owners will be responsible for contracting with a private plumber for the replacement work. Kenosha will maintain a list of plumbing contractors that the Utility has pre-approved for lead service line replacements within the community. This list will provide property owners with information on plumbing contractors willing and able to do private replacement work, and provide a vehicle for Kenosha to inform contractors about the private lead service line replacement program, the need for coordination, and the requirements related to financial assistance.
7. **Financial assistance program – two bid requirement.** Kenosha's ordinance requires that a property owner obtain at least two bids from pre-qualified plumbing contractors for the replacement work. The property owner does not have to select the contractor with the lowest bid, but the available financial assistance will be based on the lowest bid. The owner will be responsible for paying all remaining costs.
8. **Financial assistance program – loan terms.** A property owner may obtain a loan from the utility to fund the property owner's share of the replacement. If a loan is to be provided, loan terms must be determined, a loan agreement must be entered into, and loan installments must be collected. Act 137 provides two different ways loan repayments can be collected. Loan repayments can be collected along with utility bills (and delinquent repayments can be placed on the property tax roll under Wis. Stat. § 66.0809), or they can be collected as special charges under Wis. Stat. § 66.0627(8).

Kenosha's program will provide a 10-year, low interest rate loan at terms established in the loan agreement with the annual collection of loan repayments as special charges. This method reduces administrative work by using the well-established process of property tax collection.

9. Financial assistance – application. Before providing financial assistance, Kenosha requires that property owners apply for financial assistance on a form that will be furnished by the utility. The application will identify the type of financial assistance the property owner is requesting along with certification that the property owner meets basic eligibility requirements established by the ordinance.

10. Financial assistance – payment to plumbing contractor. Kenosha's ordinance provides that after the replacement work is done, the property owner must provide to the utility the contractor's invoice and documentation of satisfactory completion. Upon receipt of this information, the utility must pay the plumbing contractor directly – up to the amount of the financial assistance provided. The property owner is to pay any invoiced amount that exceeds the amount of financial assistance provided.

One issue that was addressed during the PSC's review of Kenosha's program was whether the financial assistance program should be extended to the replacement of galvanized steel pipes. PSC staff pointed out information on the potential for deposits on the inside of galvanized steel pipes to trap lead. While the PSC's final decision encouraged Kenosha to look at the galvanized steel pipe issue, it did not require Kenosha to extend its program to galvanized steel pipe replacement. The PSC's decision seemingly leaves open the option for each community to make its own decision on whether it wants to, or can, extend the community's financial assistance program to cover replacement of galvanized steel pipes.

The PSC's approval of Kenosha's financial assistance program does not result in a water rate increase. In order to include the private lead service line replacement costs in rates, Kenosha will need to file a full rate case. The PSC's decision requires that Kenosha apply for a full rate case that includes private lead service line replacement costs within two years.

Kenosha expects its financial assistance program to be in full swing for the 2019 construction season, but, living up to its motto "Let's Get the Lead Out!", Kenosha has already provided financial assistance for the removal of several leaking private lead service lines in Kenosha. With the first program approved, the PSC expects to begin to receive additional applications from interested communities. Manitowoc Public Utilities became the second applicant on September 11, 2018.

About the Authors:

Lawrie Kobza is a partner at the Madison law firm of Boardman & Clark and legal counsel to the Municipal Environmental Group - Water Division (MEG - Water). She has worked with municipal water systems for over 30 years. Contact Lawrie at lkobza@boardmanclark.com

Ed St. Peter has worked for the Kenosha Water Utility for 47 years. In addition to being the General Manager of the Utility, on September 5, 2018, he was appointed as the new City Administrator for the City of Kenosha.

Jared Walker Smith is an attorney at Boardman & Clark LLP, where his practice focuses on general municipal, water utility, and real estate law. He is a graduate of St. Olaf College and the UW Law School, and is admitted to practice law in Wisconsin. Contact Jared at jsmith@boardmanclark.com

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1 WIS. DEPT OF NATURAL RES., PUB-DG-015 2017, LEAD IN DRINKING WATER (2017), available at <https://dnr.wis.gov/files/PDF/pubs/DG/DG0015.pdf>

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Connect with us: tkobza@baker-tilly.com
Wicki Hellenbrand, CPA, Partner
wicki.hellenbrand@baker-tilly.com
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