

REGULAR MEETING OF THE JEFFERSON UTILITIES COMMISSION, HELD AUGUST 13, 2018

On call of the roll, commissioners present were: Tinberg, Ristow, Adams, Horn, Brandel, Michaelis and Oppermann. Also present: Utility Manager Adler, Office Manager Statz, City Administrator Freitag (arrived after roll call) and Wegner CPA Director of Local Government Services Zak Bloom. The meeting began at 5:30 p.m.

PUBLIC PARTICIPATION

None

MINUTES

Comm. Ristow recommended the following changes:

Comm. Ristow stated that the utility could possibly wrap in a debt issuance for an AMI conversion. He stated that you have three years after the issuance to ~~increase the debt~~ spend the funds.

It was moved by Comm. Ristow and seconded by Comm. Brandel to approve the open session minutes from the July 16, 2018 meeting with the noted corrections. Motion carried on a voice vote.

It was moved by Comm. Brandel and seconded by Comm. Tinberg to approve the closed session minutes from the July 16, 2018 meeting. Motion carried on a voice vote.

City Administrator Freitag arrived at 5:30 p.m.

EXPENDITURES

It was moved by Comm. Brandel and seconded by Comm. Michaelis to approve the payment of July's bills totaling \$1,155,369.53. On call of the roll, motion carried. (Oppermann – Aye, Beyer – Aye, Ristow – Aye, Adams – Aye, Tinberg – Aye, Brandel – Aye, Michaelis – Aye)

DISCUSSION OF 2019 HEALTH INSURANCE

City Administrator Freitag outlined the proposed changes to the 2019 health insurance plan. The employee's premiums will decrease about \$1,100 per year for family coverage and \$500 for single coverage, but the deductible will increase to \$1,350 and \$2,700 for single and family coverage, respectively. The benefits are about the same as they are under the current state health plan

City Administrator Freitag stated that the proposed insurance carrier, Dean Health Plan, has guaranteed rates not to increase more than 7.5% the second and third years and not more than 9.9% the fourth year.

City Administrator Freitag stated that the change in healthcare plans originated because the Employee Trust Funds (ETF) has been required to commit its reserves to keep the insurance rates artificially low. This has caused concern for some municipalities. In addition, the plan that the City of Jefferson participates in now is proposed to be eliminated starting January 1, 2019. These concerns caused a group of local governments, Jefferson included, to research other insurance options. From there, a number of municipalities have been working with M3 to create a large group of insured. Jefferson has committed to the group, but in order for it to work, both Jefferson and Dodge counties need to commit. While that is likely to happen, they have not made their official announcement yet.

City Administrator Freitag explained that most municipalities in the group are committed to the deductibles he mentioned and are looking at a Health Savings Account (HSA) to offset the costs to employees.

Currently the city and utility cover 88% of the health insurance premium and the employee pays the remaining 12%. The city and utility contribute \$400 to a Flexible Spending Account for a family and \$200 for a single individual to offset the cost of the health insurance deductible. Under the proposed plan, the city will save enough money to be able to cover the employee's full deductible until 2020 and not exceed the current cost of health insurance.

City Administrator Freitag stated that he was confident that the city would join the insurance group and enroll employees in the Dean Health Plan for 2019 coverage. At this time, he was uncertain how much of the deductible the city will fund for the employee. He stated that the plan was to have employee meetings in September and October to briefly discuss the proposed changes. In November, employees would need to be enrolled in the plan and bank accounts need to be created for each employee. The bank account is for the HSA funds.

City Administrator Freitag briefly reviewed how a HSA works. He stated that any funds placed in the account by the employer become the employee's funds, as the employee controls the account. The employee may put in additional funds if they wish. If they were to leave the city's employment, they keep all funds in the account.

Comm. Horn stated that the funds in the HSA belong to the employee and they can bank the dollars each year if they wanted to.

Comm. Tinberg questioned the different insurance territories of the proposed and current insurance companies.

City Administrator Freitag stated that there is a large overlap of doctors between Dean Health Plan and Quartz, with the exception of specialists. He stated that employees that see specialists may need to change doctors. However, he hoped that the lower monthly premiums paid by employees would ease this inconvenience.

Comm. Ristow asked if the opt-out process has been addressed with the proposed insurance plan.

City Administrator Freitag stated that there would be an opt-out option, but it would be dependent upon the number of enrollees.

Comm. Tinberg asked if there were other Jefferson County cities interested in this plan.

City Administrator Freitag stated that currently there is Jefferson, Beaver Dam, and possibly Fort Atkinson and Whitewater. He stated that Dean Health Plan has agreed to underwrite a plan for each municipality.

Comm. Oppermann asked the commission members if there was any heartburn over this change.

Comm. Tinberg and Comm. Horn stated that they were in favor of the change, given the savings.

Comm. Ristow asked if there was a document showing the benefits of the current and proposed insurance plans side-by-side for employees to review.

City Administrator Freitag stated that there was such a document and he would meet with the employees.

Comm. Michaelis asked if the document would include a list of providers.

City Administrator Freitag stated that the information was available on Dean's website.

Comm. Ristow stated that it was a good idea to meet with the employees and suggested that the employees get a benefit list ahead of time so they can create a list of questions for the meeting. He stated that the plan looked really good up front.

City Administrator Freitag stated that another perk to the new plan is that prescription drugs will count toward the deductible, whereas now they do not count towards that amount out of pocket.

DISCUSSION AND ACTION ON BUILDING MOISTURE ISSUE BOND ISSUANCE WITH CITY

City Administrator Tim Freitag stated that there were two financing options available to fund the building renovation. Option one was for the city's portion (75% of the project) to be funded with a 20 year bond and the utility's portion (25% of the project) to be funded with a 10 year note. He reviewed the proposed figures that noted a total cost of \$687,104 was estimated to be the utility's portion, this includes interest. He stated that this note would be pledged by the city's ability to levy taxes.

Option two was for the utility to take a construction loan and reschedule the debt for a 20-year term. The downfall of this is that the interest loans may increase as time goes on. It would be preferable to lock in the rate now by going with option one. He stated that if the utility needed to, it could defer the debt as well.

Comm. Ristow stated that he agreed that option one was the best way to handle the debt. He questioned if the utility could wrap in a loan for an AMI conversion.

City Administrator Freitag stated that the city has a lot of capacity out there currently to issue debt, but the Common Council may be hesitant to use that capacity for an AMI conversion. He stated that there are some projects coming that may eat up that debt capacity. He stated that the utility may have other financing options available than issuing debt through the GO Bond. He went on to say that there is a pretty tight timeline to add more debt to the note, as the sale of the bonds will occur in October.

Comm. Brandel questioned if the utility could wait for the bids to come in to make a financing decision.

City Administrator Freitag stated that it was possible, but he would like to know preliminarily what direction the commission would like to go.

Office Manager Statz stated that both the water and electric utilities would be able to make the annual debt payments under the estimated ten year debt structure.

Comm. Ristow stated that it would be ideal to see the bids before making a final decision.

Comm. Horn stated that he was in favor of the ten year debt option.

Comm. Brandel, seconded by Comm. Tinberg moved to support a ten-year note to fund the building renovation, pending the final bid results. Motion carried on a voice vote.

DISCUSSION OF AMI COSTS, BENEFITS AND POSSIBLE PROJECT

Utility Manager Scott Adler gave a brief overview of the AMI system and utility operations. He stated that the utility has been changing over to AMI meters, as needed. At this time, no changes have been made on the water side.

Wegner CPA Director of Local Government Services Zak Bloom reviewed the cost impacts to the electric and water utility by going to an AMI system. He stated that the meter reading savings is not realized until the system is fully optimized, which can take about a year once fully implemented. Once that occurs, there will be efficiencies in move-in and move-out reads, and with remote disconnects and reconnects. Once implemented, the utility could take advantage of real-time voltage monitoring, tamper and theft detection and outage management. Mr. Bloom stated that benefits to the customer include increased billing accuracy, expedited outage restoration and real-time usage monitoring.

Mr. Bloom stated that the cost to implement an AMI system on the electric side would be about \$647,000 and on the water side it would be about \$997,000. This includes a 5% contingency. The water side is more expensive because it needs two components, the water meter and the communication module.

The worst case scenario would mean a 0.41% increase on the electric side and a 4.89% increase on the water side. This equates to \$421,861 on the electric side and \$929,335 on the water side.

Comm. Ristow asked what the savings would be if the utility was fully optimized.

Mr. Bloom stated that the utility could see a 90% reduction in meter reading labor and a 50% reduction in meter maintenance. He stated that there will still be some reading and maintenance involved if the meters fail, particularly on the water side.

Comm. Ristow questioned if the financing costs are added in the figures presented.

Mr. Bloom stated that there were no financing costs included, as those are not taken into account in a rate increase. Debt is paid for out of a utility's rate of return and not in the rates.

Mr. Bloom reviewed the Joint Metering Allocation, the sewer utility's responsibility for billing and metering expenses. Once the AMI system is fully optimized and expense reductions are realized, the sewer utility will see an increase of \$11,958 annually.

Utility Manager Adler stated that Mr. Bloom will meet with Wastewater Superintendent Todd Clark to review these costs, if needed.

Mr. Bloom stated that most utilities have timed the AMI conversation with staff retirements. He stated that to put in an AMI system is a lot of work and staff will be needed along the way. Once fully optimized, the part-time meter readers could be eliminated, but staff will still need to be available to troubleshoot alarms on the meters. He stated that most utilities have put in the disconnection option on all of their meters, so the disconnect process is much more efficient as it would be a click of a mouse. No truck or staff time would be needed to go to the meter location.

Mr. Bloom stated that the utility currently has five billing cycles. Once AMI is implemented, the cycles could be combined into one or two. This would free up the Billing Clerk's time, but that time would be filled with reviewing alarms and reports.

Comm. Michaelis clarified that it takes about a year to work out all of the bugs.

Mr. Bloom stated that was what other utilities were seeing, yes. The electric conversion is quicker, as staff does not need to get inside of buildings. The water side takes much longer to coordinate appointments with customers, so that takes about a year to accomplish.

Mr. Bloom reviewed the projected cash flow if the utility were to issue debt for the building renovation and AMI conversion. Based on 2017's actual cash flow, the debt payments would leave about \$553,000 of cash flow for both the electric and water utilities, \$543,000 for electric and \$10,000 for water.

Mr. Bloom stated that currently the meters are depreciated at a rate of 30 years, by switching to AMI meters, the utility could request that the Public Service Commission (PSC) allow a new depreciation rate. This would be addressed in the utility's next rate case.

Utility Manager Adler asked Mr. Bloom if other utilities have put in place special rates for customers that opt-out for an AMI meter.

Mr. Bloom stated that the utility could request an opt-out rate from the PSC. There would be an additional charge billed to the customer. He has seen up to \$30.00. He suggested that the utility hold a campaign to educate customers on AMI meters and the frequency.

Comm. Ristow questioned how much frequency the meter gives out. He asked if it was more than an internet router.

Mr. Bloom stated that the frequency wasn't much. A microwave and baby monitor put off a higher frequency than the AMI meters.

Comm. Horn questioned why the utility would put AMI in place if there is a 3.86% water increase to the customer.

Mr. Bloom stated that there are advantages to the customer, but most are on the electric side, not the water side even though the greatest financial impact is on the water side.

Comm. Horn asked what the advantages are to the customers with an AMI system.

Mr. Bloom stated that the utility would have the ability to notify customers quickly if their usage spikes. This could help the customer rectify a problem they may have, like a toilet leak. He went on to say that eventually customers will expect this kind of information.

Comm. Ristow stated that there were clearly advantages on the electric side. He stated that maybe technology will change in the future.

Mr. Bloom reiterated that the advantages with an AMI system are mostly realized on the electric side. It is where the industry is headed.

Comm. Ristow stated that there have been some changes made with staff that makes it harder to make the change right now.

Comm. Tinberg asked if there was a history on AMI pricing and what the cost has done overtime.

Utility Manager Adler stated that he doesn't have those figures readily available.

Comm. Ristow stated that there didn't look to be a savings today or tomorrow, but maybe in the future.

Mr. Bloom stated that the savings are there, they just aren't realized right away. The electric utility would see the savings in about four weeks, the water utility would see the savings in about a year.

Utility Manager Adler questioned how long it would take to get a Construction Authorization from the PSC.

Mr. Bloom stated it would take about a month and a half to two months.

Utility Manager Adler asked if it would better to go in for a rate increase for both the electric and water utilities.

Mr. Bloom stated that the electric utility would be okay, but this would trigger a water rate increase right away. He suggested timing the rate increase with the end of the project.

Comm. Oppermann stated that he felt that the utility should move forward with an AMI system based on the efficiencies that will be realized as well as the expectations from customers to offer this kind of technology. He went on to say that he wanted Jefferson Utilities to be a leader in the public utility world and not a follower.

Comm. Tinberg asked if it was possible to bring in another utility that has done this and discuss the project with them.

Utility Manager Alder stated that we could certainly ask other utilities to talk with the commission about their experiences.

Comm. Ristow stated that it didn't look like the utility would be able to include a borrowing for the AMI system in with the building renovation. He wasn't against Comm. Oppermann's statements, but thought it would be best to develop a timeline for when we want to implement the AMI system.

Utility Manager Adler stated that he would like to tie in the AMI conversion with staff retirements.

Comm. Horn stated that he would be more in favor of making the changes to e-billing rather than to AMI meters. He felt that the customer would appreciate that more than knowing if their toilet is leaking.

Office Manager Statz stated that e-billing is in the works, but we are still waiting on WPPI. She stated that Comm. Horn was correct, e-billing is the most popular request she receives.

Comm. Tinberg stated that he would like to speak with other utilities before making a decision.

Comm. Brandel stated that he liked the idea of AMI, but not at this time. He felt that there was too much going on with the building to add this kind of a project.

Mr. Bloom left the meeting at 7:10 p.m.

DISCUSSION AND ACTION OF 2018 WHISPERING OAKS BORE BID TO J&R UNDERGROUND FOR \$190,798.50

Utility Manager Adler reviewed the bids received for the Whispering Oaks bore bid. The lowest bidder was J&R Underground at a cost of \$190,798.50.

Comm. Horn asked if there were any red flags with the lowest bidder, as there was a \$150,000 difference between them and the next bid.

Utility Manager Adler stated that there were no red flags and that J&R Underground has done a lot of work in the area.

It was moved by Comm. Ristow and seconded by Comm. Brandel to award the boring bid to J&R Underground for an amount not to exceed \$190,798.50. (Oppermann – Aye, Beyer – Aye, Ristow – Aye, Adams – Aye, Tinberg – Aye, Brandel – Aye, Michaelis – Aye)

DISCUSSION AND ACTION APPROVING 2018 ASPHALT REPAIR PATCH WORK TO PLM PAVING FOR \$17,367.00

Utility Manager Adler stated that he received three quotes from asphalt repair companies to patch the streets where water main was repaired. PLM Paving came in with the lowest cost and was used by the utility last year.

Comm. Ristow questioned if the bid included the patch for First Street.

Utility Manager Adler stated that First Street was included in the bid.

It was moved by Comm. Michaelis and seconded by Comm. Brandel to approve an agreement with PLM Paving in an amount not to exceed \$17,367.00. (Oppermann – Aye, Beyer – Aye, Ristow – Aye, Adams – Aye, Tinberg – Aye, Brandel – Aye, Michaelis – Aye)

It was moved by Comm. Horn, seconded by Comm. Ristow to adjourn. Motion carried on a voice vote. The meeting was adjourned at 7:15 p.m.