

Village of North Fond du Lac
OFFICIAL MINUTES- Meeting of February 1, 2010
COMMITTEE OF THE WHOLE

PRESENT:	Keith King, Trustee	Mark Beveridge
	James Moore, Village President	Tammy Keller
	Mike Streetar, Trustee	
	Mike Will, Trustee	STAFF PRESENT:
	Jim Scharf, Trustee	Chuck Hornung, Administrator
		Nick Leonard, Director of Engineering and Planning
OTHERS:	D'Ann Flasch	Darrin Parsons, Director of Public Services
	Pam Vanderboom	William Lamb, Police Chief
	Lyle Moon	Paul Nelson, Fire/EMS
	Robert Giese	Donna Richards, Village Clerk
	Bob Giese	
	Tom and Kim Baumgartner	

Chairman: WILL

Meeting was called to order by Chairman Will at 6 PM.

A. ADMINISTRATIVE ITEMS.

1. Discuss the submission of an application to the Public Service Commission for a Water Rate Increase. Presentation of the rate study by Baker Tilly. Nick introduced the topic, and explained that a 2008 financial forecast stated that a rate increase would be required in 2010. Recent water rate study estimated the need for a 10% increase in water, and we haven't had an increase since 2004, then a 3% increase. Vicki Hillenbrand was introduced. She is a partner from Baker Tilly. This action would be asking for permission to make an application for a rate increase. The PSC would review the application, and approve a rate increase. They would review the document, provide a recommended rate. We are asking for a certain rate of return percentage. The PSC would decide if they think the increase is adequate or appropriate. The citizens can go to the Public Hearing conducted by the PSC, and the PSC would make a final determination on the rate. The increase is needed to cover debt service in 2010 and 2011. We had some 3% cost of living increases in 2003 and 2004, and had a full blown increase in 1999, to be effective in 2000. The utility has done a great job containing costs, and with the growth that the Village has seen, this has contained the costs and therefore the rate increases up to this point. It is felt that with additional capital improvements and the amount needed to pay taxes to the general fund, an increase is needed to handle debt service. Recommending an increase of 10%, in consultation with the study and Village staff member Nick Leonard. He is trying to have the rates remain as low as possible. PSC would allow at 6.5% rate of return, but we are asking for only 3% rate of return. This is due to the Town of Fond du Lac paying the debt service on the water tower. A 10% increase amounts to \$3.13 per quarter for the average residential customer. Ms. Hillenbrand recommends we proceed to the PSC with this rate increase request. The increase of \$7.40 includes fire protection. Michael Will asked about the cash reserves. It's between \$900,000 and \$1,000,000. Part of it is set aside as required for revenue bonds. This is a decent reserve, according to Ms. Hillenbrand, but we have been chipping away at it over the years, and we can't dip further into the reserves. Mr. Will asked about payments from the Town of Fond du Lac for their portion. It was confirmed that the Township has been making their payments. Ms. Hillenbrand said the Town's numbers were backed out of the calculations to make sure that the Village ratepayers are not subsidizing that project at all. Mr. Will asked about both water and fire protection going up. The PSC will take the application and allocate the increase to the various parts of the system. Mr. King asked about forecasted cash flow. Without increase, vs. with increase. He expressed concern about recent increase and whether there are other things we can do with projects, and whether this is the best we can do. It troubles him in these economic times to have these increases. Mr. Streetar asked about Fire protection on the apartments, whether that is paid by management or by each renter. Nick will

check. (Note: in checking the billing system, the management pays fire protection for the complexes every month. DR) Mr. Hornung stated that the reserves have been chipped away, and Ms. Hillenbrand concurred that the reserves will remain at the minimum, to have the rates stay as low as possible, while avoiding borrowing for meters and water tower painting. If borrow for every capital project, utilities find themselves in trouble. Must try to maintain reserves to remain healthy. We have been able to keep the rates extremely low in the Village for a long time. Mr. Will asked whether this would cover us for how long... she suggests that this rate increase happen this time, and then have cost of living increases every year or every other year, so this bump doesn't happen again. Mr. Will stated that in comparison, our water rates appear very reasonable. Sewer rates may be high, in comparison. Nick Leonard said he thinks the area that is served by the new plant likely have comparable sewer rates to ours. Mr. Moore asked if this could be spread out. Ms. Hillenbrand said that the PSC normally does not do this. They will be reviewing it for three to four months, so it may take until May, June, or July before we know their decision. With a 10% increase, they wouldn't normally phase anything in. Nick said we started the study based on the forecast last September –October. Initially, a 30% increase was looked at. Took out the Town water tower, and then worked to try to get it down to 10%. Probably won't happen until the second or third quarter of 2010, so the 10% increase won't be realized this year. Mr. Moore asked when this will all end. Mr. Streetar asked if we had seen the Reporter about the phosphorus issue. It is possible that this will affect us. It would be a wastewater issue, and there would be cost sharing. It is a federal mandate. Mr. Will asked if we had moved these projects up due to possible cost savings. Nick said yes and no... they were moved up a few months. The initial borrow was supposed to take place in 2009 for projects in 2009-2010. Some were moved to 2009, but money was borrowed at the same time.

CONSENSUS to take it to the Board.

2. Discuss proposals for a 5 year financial management plan and TID #1 and TID #2 financing options proposed by Ehler's. Administrator Hornung said that back in fall of 2007, a 5 year plan for our financial management was developed. Would like it updated to five years out. Greg Johnson talked about it further. Scenarios, goals, service levels, union contract impacts all need to be updated. Ehlers would meet with staff to understand current plans, do forecasts, and hold possible workshops to bring scenarios and goals to the Board for input. Then, there would be a final written report. This would be a guide/tool to aid annual budget discussions, understand what it takes to maintain service levels, and finance current and future capital improvement projects. Annual budget decisions get carried over, for a current snapshot and projection. The proposal from Ehlers is for the update. Mr. Will said the current plan is two years old, is it normal to do it so soon? Mr. Johnson said normal would be three or four years, but due to the economy, revenue streams, revenues from investments down, and development has tapering off, growth has changed. This has changed in unprecedented ways nationwide at this time. Many communities are updating their projections. Mr. Will asked if this expenditure is budgeted in 2010. Chuck said yes. Mr. Will said he is inclined to hold off on this. We need these funds. Mr. Hornung said we have plans for some capital improvements and costs, and need to understand better if we can do them.

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On the second part, (TIF) Mr. Johnson explained that the State law has changed to allow funds to be donated from one TIF to another. The process is the same as establishing a TID, including the CDA, Board, and the Joint Review Board. Ehlers proposal is in phases, so the Village can start and stop the process, so pay only for what is completed. First phase is feasibility, looking at TID #1, and projecting income and costs, and what increment might be available to TID #2. Then Phase 2 would proceed only if the Village wants to pursue an application for the donation of funds

from one TID to another, when all the information is known. The allowable period of donation is five years, but a municipality can go through the same process to apply to extend the donation period for another five years. Mr. Scharf said that for example we have expenses for TID #2 but no income yet, that TID #1 could perhaps help pay for this. Mr. Johnson said yes, that is what this study would establish. Mr. Will asked if the Village could do it on our own. Yes, we could do it ourselves, with all the approvals. The management responsibility for the TID ultimately lies with the Village, but would need approval of all these entities.

Mark Beveridge said he understands why we might want to do this. The proposal mentions a legal description: Greg Johnson said you can amend the TID area at the same time as you apply to donate. Mr. Beveridge asked, related to the budget, why there is no budget for TID #2, that we probably have interest payments that are being made. There are expenses. Mr. Hornung did not put a budget together yet for TID #2, as the Village is absorbing and tracking those expenses at this time, to be repaid once the TID starts producing increment. But there is no money yet. Bob Giese talked about trying to purchase property in the area right now, and people are thinking the resort is coming. He had a chance to buy some lots, for \$2200 to around \$5500, now up to \$20,000. Word is out; property is going up. One guy was interested in putting up a building, but if he can't get the lot reasonably, it won't happen. There is movement in the market at this time. He is thinking that the frontage of the Zoch property perhaps should be put on the market, with Village controls of what happens, to get some money out of it. This would help cash flow problems, pay for feasibility study. He thinks it should get back on the tax roll, that Village could get \$80,000 - \$100,000 for the first frontage area. Suggests the Village keep the back for dredging and/or storage for the Village. If it wouldn't mess up the development, could sell a part and create some needed funds. Mr. Will talked about the phased second proposal from Ehlers. Mr. Will thought we might be able to do it ourselves. Mr. Hornung said it might take contact with lawyers, but recommends the first part, just to see if feasible. Mr. Hornung said he doesn't know what is required/does not have that expertise.

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3. Discuss **RESOLUTION R-01-2010** A RESOLUTION APPROPRIATING THE NECESSARY FUNDS FOR THE OPERATION OF THE WATER UTILITY OF THE VILLAGE OF NORTH FOND DU LAC, WISCONSIN, FOR THE YEAR 2010. No action will be taken at this time.

Nick Leonard is making comments about all three items, and Darrin Parsons will answer specific questions. Looked at the budgets this year and allocated more personnel time to utilities to reflect what is actually happening. Administrative budget increases in utilities is due to this. Also, when the administrative assistant was cut, costs weren't charged. So, police and EMS now cover the front desk, and those are now charged against utilities as they should be.

Regarding the water budget, there are large capital expenses. Mike Will asked several questions: Asked about Chemical costs. Mr. Parsons answered that they went up, had sampling costs and DNR testing. High increase is due to low residual chlorine levels in a sample, so required to treat at a different level. Asked about whether we are phasing a well out when well #5 comes on. Three may be abandoned, is in Village Park. It has higher radium levels. Mr. Parsons and Mr. Leonard answered the questions. Sample tests tell us when aquifer is acting up with contaminates, so chemical rehab comes in to bring it back to acceptable levels. Mr. Moore asked about reserves. Some is for repainting the water tower, as a designated reserve. We took out the reserve funds when it was painted last year. This reserve will need to begin again, so maintenance is not borrowed for.

4. Discuss **RESOLUTION R-02-2010 A RESOLUTION APPROPRIATING THE NECESSARY FUNDS FOR THE OPERATION OF THE WASTEWATER UTILITY OF THE VILLAGE OF NORTH FOND DU LAC, WISCONSIN, FOR THE YEAR 2010.** No action will be taken at this time. Nick commented that there is a slight decrease in water usage this year. Could be due to the economy, people using less water. So the revenues were down, close when all utilities added up. No major projects in wastewater. Most of the budget is treatment costs and debt service. Some of the cost relate to depreciation, which is not a true expense. We budget for it, but it becomes a reserve if needed. With the 16% increase, you are actually not making money in a few years, and the water utility is the same way. We keep the rates as low as we can, and deplete the cash reserves to what is still an acceptable level.
5. Discuss **RESOLUTION R-03-2010 A RESOLUTION APPROPRIATING THE NECESSARY FUNDS FOR THE OPERATION OF THE STORMWATER UTILITY OF THE VILLAGE OF NORTH FOND DU LAC, WISCONSIN, FOR THE YEAR 2010.** No action will be taken at this time. We haven't had many storm water capital projects but will have one in 2012. We have sufficient cash to support that. You may remember that several meetings ago, we discussed drainage on State Street. Mitch and John Giese worked on a plan regarding State Street. We are planning to do some drainage improvements this year. Mr. Giese said it is overdue, and we are already paying storm water. State Street has no catch basins, just ditches to the lake. With some gravel and crushed blacktop, it will help a lot. This will allow the road to dry up and get fixed. Now, all the gravel flows away in the rain, so Village might end up saving money. Mr. Giese says we hope to attract renters with a better road system. Mr. Leonard said this is a temporary fix, but will be good to get done. We send a grader out there a couple times of year. Mr. Will asked about the reserves. Said we are trying to build up capital reserves for 2012 project. Not sure if the cash flow is acceptable, or too high. Our audit will tell us that in the next couple of months.
6. Discuss the appointment of Carol Cheevers and Elizabeth Kraft to serve as alternate Election Officials in the appointment period of 2010-2011. Ms. Richards explained that we are short two or three officials, and these two individuals came forward and are very interested. We are training next week, so she is hoping to get them appointed this evening.
CONSENSUS to take it to the Board.
7. Discuss an authorization of expenditures for a market and feasibility study update as discussed in the Committee of the Whole. Mr. Hornung explained that we have been discussing this for a several weeks now. The feasibility study occurred a couple of years ago, and we are hoping that this study will inform the Board to better understand if we have what we need to make a decision as to whether to proceed with the project and a referendum. There are two proposals at this time, and Melissa Hunt will explain them further. Melissa Hunt Community Development Specialist explained that this project has been going on for several years, and she has been involved for just the last year. We have been reviewing this project, and we still have the developer who is interested at this time. We are ready to proceed, but the Village has to do its due diligence as to whether to proceed. So, what we are doing tonight is to do a study to review the original study which is several years old, and see if there is still a market for a convention center/hotel project. One proposal is for \$20,000 from Baker Tilly. The study is whether the environment is feasible for a development like this at this time. They did not break it down into pieces. The second proposal is for \$8,000. \$4,000 is phase 1, to look at whether the market is there for a project like this at this time. The second is to update the project structure. The developer would need to take on updating his figures in terms of his costs. Mr. Will asked if such a study is what a developer would normally pay for. Ms. Hunt said yes and no. The developer originally paid for a study back in 2007. The thought is that the numbers would be reviewed to understand the current market: do we need hotel rooms and a

convention center. The developer is confident that the project is feasible. The question is, does the Village have enough information to feel the same way, especially given the recent economic environment. Mr. Will asked if we would own the Convention Center in the study. That is not part of this study, according to Ms. Hunt. The options are do we continue down the road with this project or not? Mr. Will asked what the current occupancy rate is for hotels in Fond du Lac County. Ms. Hunt hesitated to quote a number that she is not knowledgeable about. Mr. King asked if Mr. Zabel is going to come talk to the Board, assuming he is interested in building something, a hotel or otherwise out there. Ms. Hunt said yes, Mr. Zabel wants to talk to the Board. This study isn't for the developer, it is for the Board to feel comfortable if they have the knowledge you need to make a decision. There is another piece of feasibility that he would have to do, for his financial projections. Mr. King asked if Mr. Zabel feels comfortable to proceed. Ms. Hunt said yes; the question is what the Board needs to feel comfortable to proceed. So after the Board members said they needed something, this study is the due diligence piece for the Village. Baker Tilly also thought that, as our auditor, they have a division in their office that could look at it. That is the \$20,000 proposal. The other proposal is from the group who originally did the study for Alex. By the end of March or early April we would have this information. Mr. Will said he understood, and Mr. Zabel has said that he could not proceed without a convention center, and couldn't do it himself. Ms. Hunt said she felt this is a fresh start. If there is a market, how many rooms, how much will banks lend, how much would he invest, etc. We are not there yet. Mr. Will asked if he has been asked to pay for some of this. He has been asked to share in the costs for better information going forward. There are several costs that he will have to pay for. In this cost, Mr. Zabel might want the second scope of work completed and pay \$4,000. We could get started on the first phase for \$4,000 to have a public document that anyone can see. We would begin to negotiate the development agreement. Haven't done much more yet, just in case there is no market at this time. Mr. Hornung said that we want to get as much of an improvement out there as we can. Towards that end, we are trying to access information to move the present project along towards the development agreement.

Mr. Beveridge stated that he doesn't feel that the Village should pay money to determine whether the project is feasible or not. Why hasn't he broken ground? Mr. Beveridge said that he thinks Alex doesn't have his financing. Why hasn't he broken ground? He doesn't feel a convention center will go anywhere in today's economy.

Orville Jaeger is a businessman who has lived in NFDL for a long time. He runs Fond du Lac Express, a delivery service. He travels and talks to a lot of people, and he feels this is not a good year for banking to do business. Felt Pioneer was great, and that this is ridiculous. This end of the lake is shallow, will not work for a harbor at all. To spend money on this kind of program is ridiculous. Thinks the developer wants to use us. Feels feasibility study is wasted. Trying to get a loan is impossible. Many businesses are running on fewer employees. Many think it will be 2011 before the economy turns around. Arrow Express shut the doors because they couldn't get financing. Feels there are no extra dollars to spend on this, let him spend his own money. Called the project a joke. The Board should dump this project once and for all. Appreciates that we kept the tax rate down.

Mr. Giese likes the Winnebago Project, it cleaned up the salvage yard. Thinks we should grab realtors and sell off a piece of the Zoch property. He has been picking up pieces of property, and thinks we should do the same, put some parcels together and sell off parts, and clean up the area. He thinks it is great that this was cleaned up, and others may follow. Doesn't want Village going into the restaurant and tavern business. We have lots of potential out there. Is very happy about the nature walk being planned. This will help people enjoy nature in their own community, and in hard economic times, not have to travel far distances to enjoy nature. He was on the County Board, and that is why they bought Calumet Park. Connecting trails down to the lake to Lakeside

Park is a good idea. He thinks it is a beautiful idea to develop the trail, take blighted properties down, put in a place to sit, and then people will find the place attractive, and want to build places to live out here/there.

CONSENSUS to take it to the Board.

B. CITIZENS TO BE HEARD.

Mr. Jaeger wanted to talk about Fond du Lac being the highest water in the State. Asked about the increase. 10%. Asked why? Nick Leonard reiterated that we have had no increases for the last 6 years, and a rate study said we need it to cover our costs. This is partly related to debt service, taxes, depreciation goes up. Mr. Jaeger said depreciation is a paper transaction. Mr. Leonard explained that it is required to be treated as an expense. How much did costs go up? Can't answer this easily, it is a 5 year financial forecast. Mr. Jaeger wants to know how much costs went up in five years. Profit has been diminished, would be running in the red in 2010. We are not accountants, the rate study is done by consultants. Mr. Hornung explained that we had a handout. We do have those numbers. Mr. Leonard said it is not simple. Explained that the consultant explained it earlier. Mr. Jaeger said to take a look at the numbers, and need to cash flow and a cushion, and make sure you are getting the right information. Is it 10% that you really need. Mr. Leonard explained that we need 30%, but pared it down to 10%. Reduced rate of return to 3% instead of 6.8%. Without an increase it would go down to 1.2%. Mr. Jaeger said to watch the depreciation. Mr. Leonard said we have to include depreciation by PSC rules.

Future Possible Agenda Items can be discussed under Unfinished Business and New Business. No action will be taken at this meeting on discussions under the next two items, and discussion should be greatly limited until placed on the agenda:

- C. UNFINISHED BUSINESS. None
- D. NEW BUSINESS. None
- E. CLOSING OF MEETING at 7:30 PM.

Respectfully submitted,

Michael Will, Trustee