

**Public Utilities Committee
Meeting Minutes
July 19, 2016**

Members present: Mary Pat Lytle, Craig Weiss, Marc Nielsen, and Chris Frederick.

Members absent: Ernie Peterson arrived at 6:16 pm. Stephanie Brassington arrived at 6:20 pm.

Staff present: Allan Coville and Kelsy Boyd.

Others present: Jodi Dobson (Baker Tilly)

1. Call to order: The meeting was called to order at 6:00 p.m. by Chair Lytle in Conference Room A at the Municipal Center.

2. Public comments: None

3. Review and possible approval of draft Minutes of Public Utilities Meeting of June 21, 2016:

Motion by Lytle, second by Frederick, to approve the draft minutes with one minor change (Item 5. Motion; second sentence of motion should read: "Nielsen offered a friendly amendment to have utility staff review the system algorithms used to identify unusually high water usage." Motion carried 3-0-1 with Weiss abstaining as he was absent at the June meeting.

4. Presentation of 2015 financial statements and audit results for the Water Utility, Sewer Utility and Stormwater Utility – Baker Tilly Virchow Krause.

Jodi Dobson of Baker Tilly presented the Report to the Committee.

Water Utility – The water utility's sales decreased 1.0% in 2015. The decrease in gallons sold can be contributed to efforts to conserving water, which is consistent with the industry statewide.

The authorized rate of return for McFarland is set at 7.25%, which was established when the last rate case was completed back in the 90's. The rate of return currently being authorized by the PSC is 5.5%, which is tied to current long-term borrowing rates. The actual return for 2015 was 6.62%.

Sewer Utility – The sewer utility's revenues increased 7.6% in 2015, while expenses increased only 5.1%. The increase in both revenues and expenses is primarily attributed to an 8.64% increase in treatment expenses passed on to the Village from the Madison Metro Sewerage District. McFarland's sewer rates were increased on January 1, 2015 by an equal percentage to offset the increased expense.

Unrestricted cash on hand is equivalent to 6.26 billing cycles. The Government Finance Officers Association recommends cash on hand equal to a minimum of one billing cycle due to

the capital intensive requirements of utilities. Funds have been set aside as restricted or designated for capital improvements. The Village operates with two bi-monthly billing cycles.

The Utility incurred debt in 2015 to fund a new lift station and improvements along Holscher Road. In 2015, net plant assets were funded with 4% debt and 96% equity. The normal utility target is 50/50 debt to equity.

Stormwater Utility – Stormwater revenues increased 1.4% in 2015 while expenses decreased 1.9% from the prior year. Unrestricted cash on hand is equivalent to 6.76 billing cycles.

Overall, all three utilities are in a very positive position. Given the strength of the utilities, a brief discussion on utilizing the cash reserves versus increasing rates took place. This will be looked at in greater detail during the 2017 budgeting process.

5. Discussion and possible action to move ahead with creating a Well Head Protection program for the Village's Municipal wells.

Coville provided a brief background on the recently denied gas station proposal for Freedom Ring and Siggelkow located on the McFarland border in the City of Madison, and the proximity to McFarland's Well #3. In preparing to present the Village's opposition to the gas station proposal, the need for a Well Head Protection program became evident. The Village will need to attain an intergovernmental agreement with the City of Madison as part of this process. Given the current events and Madison's willingness to participate in this, the Village is anxious to get this completed as soon as possible. A quote was received from Town & Country Engineering for approximately \$13,000 with a 1-2 month turnaround time. The other option would be to enlist WI Rural Water Assn to create one for the Village. There would be no cost associated with this, however, the turnaround time would be 5-6 months. Weiss inquired whether or not Well Impact Fees could be used to pay for this. It was the committee's preference to use Town & Country since they've been a trusted and knowledgeable partner of the Village for several years. Coville suggested that the Well Head Protection Plan include a zone of influence of 20 years and a minimum of 1800' from any wells. Weiss suggested that be increased to 2400.'

Motion by Frederick, second by Nielsen to direct staff to recommend to the Village Board that a Well Head Protection Plan be created by Town & Country Engineering for the Village of McFarland. Motion carried 6-0.

6. Discussion regarding office hours at the Public Works Building.

The current utility clerk retired July 8. An individual was hired as a replacement, but that individual has decided to pursue other interests. Given the pending PSN implementation as well as a desire to introduce more internal control procedures, rather than backfilling a full-time position, office hours have been reduced to 8-12, M-F. One of the concerns about not having a full-time person in the office is monitoring the drop-off site. This is one area that will need to be discussed as part of the 2017 budget process.

Adjournment: Motion by Nielsen, second by Brassington, to adjourn at 7:00 p.m. Motion approved 6-0.