

Public Hearing on the 2010-2015 Capital Improvement Plan

Madison Water Utility

119 E. Olin Ave.

Thursday, June 4, 2009, 6:00 p.m.

Staff Members Present: Tom Heikkinen, Al Larson, Joe Grande, Ken Key, Robin Piper

Board Members Present: Lauren Cnare, Dan Melton

PRESENTATION OF THE 2010-2015 CAPITAL IMPROVEMENT PLAN

General Manager Tom Heikkinen introduced himself and said the purpose of the hearing is to present the proposed Capital Improvement Plan and receive comments and questions from the public. Public comments will be compiled for the Water Utility Board, which will consider the proposed budget at its next meeting. This is a new process for the Water Utility that has been designed to provide a greater opportunity for public participation. He introduced Al Larson, Principal Engineer, who presented the Capital Improvement Plan. Please see the attached budget spreadsheet and PowerPoint.

PUBLIC COMMENT

Three people provided comments at the hearing. Their comments are summarized below.

1. Lori Kief, 4413 Doe Crossing Tr.

Lori Kief is a former Water Utility employee who now works in the City of Madison Building Inspection Unit. She expressed concern about the budgeted amounts for the Consultant/Design Contract and Consultant Construction Administration. These two tasks make up a large percentage of the budget for each project. She asked what the difference was between the two expenses, what they entail, and if the budgets are inflated. Mr. Larson said the Consultant Design Contract is for the design of the facility. The design requires electrical engineering, structural engineering, and heating and ventilation engineering, and the Utility does not have those skills in-house. The Consultant Construction Administration is for the same type of expertise in monitoring construction as the facility is built. Ms. Kief asked if the Utility would consider having an in-house project manager, or if it normally hires a whole company. Mr. Larson said the Utility hires several individuals; no single individual would typically have all of the skills required. He usually has four or five individuals, occasionally more, working on a project.

Ms. Kief also expressed concern about the Cannonball Run Pipeline. The bike path does not seem like the most direct or cost-effective route for a pipeline. It bothers her that the Utility is always trying to use existing city property, even when it might not be the best choice. Mr. Larson responded to Ms. Kief's question about Cannonball Run. He pulled up the detailed system map on the screen and explained that the Utility is building a pipeline from an area just west of Todd Drive down to Verona Road. This is approximately 11,000 feet of pipe along the frontage road. Because of the hydraulics of the system, it has to go all the way out to Verona Road. There are several challenges, including previous and future road reconstruction projects and the nearby arboretum. The bike path option was chosen through a discussion with City Engineering because it allows the Utility to stay away from the arboretum and the beltline frontage road. The pipeline will be approximately 15,000 in length. In terms of cost, this will probably be in

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the same estimated range as going the other way because more cost-effective methods can be used.

2. Larry D. Nelson, P.E.

Larry D. Nelson, P.E., provided both oral and written comments. Please see the attached for his written comments. In addition to being the City Engineer, he is the manager of the Sewer Utility and Stormwater Utility. He urged support for the Automated Meter Reading (AMR) Proposal and proposed to include half of the cost of capitalizing AMR in the Sewer Utility's Capital Improvement Budget. He said the price for sewer and stormwater services is increasing due to environmental regulations and will soon result in a very large bill if the Utilities continue to bill on a six-month cycle. He was also concerned that if the Utilities can no longer place unpaid bills on the tax roll, the current six-month billing cycle could lead to major losses.

3. Lauren Cnare, Water Utility Board Member

Lauren Cnare asked about the competitive bidding process for professional engineering services and the current bidding climate. Mr. Larson said the Utility has a competitive selection process and solicits proposals. The proposals include price, but it is not the only consideration because the Utility also considers qualifications. The process is very competitive, and he expects that in the current economy the climate will continue to be competitive.

Lauren Cnare asked why the bar graph on slide 6 from the PowerPoint shows such a variance in costs instead of a steady increase. Mr. Larson said it is project-driven. Larger projects, like the construction of the Olin Avenue facility, AMR, and the Patterson Street remodel have a large impact on the budget. When these large projects are taken out, there is a general upward trend. Mr. Heikkinen added that some years have higher budgets because of the construction schedules for projects that are staggered over several years. Sometimes the projects add up so that a number of expensive projects are occurring at the same time. 2013 is a year that does not have AMR in the budget, but because there are so many projects taking place the budget is higher.

CONCLUSION

In conclusion, Mr. Heikkinen encouraged the public to review the budget spreadsheet, which summarizes the entire Capital Improvement Plan. Mr. Larson reminded the public that there is also an opportunity to submit written comments over the next few weeks, until the next Board meeting. He said the PowerPoint presentation and budget spreadsheet are available online. Mr. Heikkinen thanked everyone for attending the meeting.

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Larry D. Nelson, P.E., City Engineer
June 4, 2009

- I wish to urge support of the Automated Meter Reading Proposal or AMR.
- In addition to my job as City Engineer, I am also the Manager of the Madison Sewer Utility and the Manager of the Madison Stormwater Utility. The Sewer Utility pays one-half the cost of meters and meter reading. The Sewer Utility pays 45% of cost and the Stormwater Utility pays 10% of the cost to render the bills by the Water Utility's customer accounts accounting sections, including a portion of the cost for the Water Utility's management costs.
- AMR is very expensive but we shall propose to include one-half of the cost of capitalizing AMR in the Sewer Utility's capital improvement budget in a comparable fashion as that budgeted by the Water Utility.
- While we have discussed advantages of AMR to propose rate structures that increase with the amount of usage, we do not find that to be the primary advantage of AMR.
- Rather, we are concerned that the price of our services, which are increasing due to environmental regulations and are expected to increase with stricter regulation, is going to result in a large bill, if levied every six-months.
- Also, the demographics of our customers are changing...the relative wealth of our customers is not what it has been. If customers cannot pay, we need to know that before a year passes, as is the present case.
- Finally, we must be cognizant that our ability to collect our revenues is dependent on being able to place unpaid bills on the tax roll. Should real estate interests ever be able to convince the legislature to change that law, utilities will be at a great disadvantage. Further, we would be unable to switch to AMR in time to avoid major losses.
- In summary, we support AMR and recommend that the cost be divided between the Water Utility and Sewer Utility.