

Memorandum



Green Bay Metropolitan Sewerage District
Cleaning Water Today For Tomorrow's Generations

TO: Commission
FROM: Tom Sigmund
DATE: September 28, 2011
SUBJECT: GBMSD 2012 Budget – Executive Director's Summary

I respectfully submit a second draft of the Green Bay Metropolitan Sewerage District's (GBMSD) 2012 budget for your consideration and review at the October 5, 2011 budget workshop. The proposed budget culminates a process whereby staff evaluated future needs and current procedures to find cost-effective ways to manage how we convey and treat wastewater and interact with the water environment. The budget continues to support GBMSD's mission to cost-effectively protect the quality of the region's water resources.

Changes to the proposed 2012 budget since the first budget workshop:

Significant revisions to the proposed 2012 budget since the first budget workshop on August 24 include:

- Changed to a deductible health insurance plan for all employees, reducing O&M expenses by \$113,700.
- Moved Project Engineer salary from O&M to be funded under debt service for the solids management project, reducing O&M expenses by \$38,200.
- Removed study of Intelligent Process & Instrumentation Diagram system from annual capital as it was also included in contract services, reducing annual capital expenses by \$50,000.
- Increased debt service for Electrical Generation System Project by \$82,000 to account for August 2011 loan draw and the revision to Department of Natural Resources' (DNR) debt schedule.
- Included \$46,000 in Miscellaneous Revenue to account for grants expected from the work boat.

Operations and Maintenance (O&M)

The overall O&M expense portion of the budget is at \$19,805,123, a 0.5% decrease from the 2011 budget. Salaries and benefits are reduced 6.9% compared to the 2011 budget, primarily due

to state-mandated revisions to employee contributions to the Wisconsin Retirement System and increased employee share of health insurance payments. Budgeted salaries and benefits are at \$9,158,802, a reduction of \$681,603 from the 2011 budget.

Staff proposes increasing the number of positions in 2012 by adding a full time Trainer in Treatment, adding a half-time Fixed Asset Accountant, increasing the half-time Communication and Education Specialist to full time, adding a Project Engineer to support the solids project, and adding an additional Director to support Environmental Programs.

Staff justifications for the requested positions are as follows:

- Trainer in Treatment Section – Training of Treatment Operators was provided prior to 2009 by one of the Treatment Managers. Upon his retirement in late 2008, staff has brought in two recent retirees for 300 hours per year each, to advance the skills to allow Operators-in-Training to progress quickly to the Operator position. The previous Treatment Manager also provided updates to standard operating procedures (SOP) and refresher training for experienced Operators. With changes to GBMSD's facilities and operations, most notably limited staffing of the De Pere Facility (DPF), the need for a full time Trainer that can work with Operators-in-Training and experienced Operators, update SOP and O&M manuals, provide refresher training on the DPF, and provide cross-training for Operators and Maintenance staff. As the design of the solids management facilities progresses, training of all staff will be needed on the new unit processes.
- Fixed Asset Accountant – GBMSD's fixed assets have changed dramatically over the last few years and the existing Accounting staff has not been able to keep the asset database up to date. This deficiency has been noted in the last two annual audits. In addition, accounting on capital projects has required increased involvement of staff from both Engineering and Accounting. GBMSD began addressing these issues in 2011 using temporary accounting assistance. The assistance proved beneficial and helped staff identify a need for additional help. Staff proposes adding a part-time regular position of 20 hours per week to work to keep project accounting and fixed asset accounting up to date. Continuity of a single employee will improve effectiveness and justify the investment in training an individual on our accounting systems.
- Communication and Education Specialist – Over the last three years, communication and education outreach has increased four-fold because of an increased number of projects and a shift in GBMSD's approach to improve two-way proactive communication with customers, employees, and stakeholders. The ongoing Solids Management Plan and its eventual implementation is a good example of the increased workload. Staff is also planning for a high level of communication for the phosphorus reduction requirements and implementation by working with stakeholders throughout the watershed. GBMSD added a part-time Communication and Education Specialist in 2011 and would like to increase that position to full time in 2012 to increase communication and education outreach activities internally and externally on projects, sewer rates, and to expand the public's knowledge related to who we are, what we do, and how we do it. This would allow additional emphasis on newsletters, press releases, editorials, email notifications, web presence, brochures, and education outreach program initiatives. This aligns well with GBMSD's strategic initiatives.

- Project Engineer – The Solids Management Plan must be implemented as soon as possible to replace the existing solids processing system at the Green Bay Facility. The capital cost of this project is estimated at \$147 million, more than three times GBMSD's largest project to date. An aggressive five-year schedule is needed to complete this project. While this project is ongoing, GBMSD will have 14 other capital projects totaling \$40 million to provide renewal and rehabilitation of other systems for the treatment plants and interceptors that will require project management and support from the Engineering section. Reliance on temporary employees and professional consultants will be used, but is not the entire solution as GBMSD works to retain the knowledge and experience gained from the projects with long-term staff. Staff proposes to add a Project Engineer to its staff beginning in July 2012, coinciding with the start of design of the Solids Management Plan. Staff proposes to fund this position in 2012-2015 by capitalizing the salary and including it in the loans anticipated for the project. This salary will not be included in the GBMSD O&M budget until 2016.
- Environmental Programs Director – Environmental aspects of GBMSD such as watershed management, regulatory compliance, laboratory, air permitting for the new solids management system, and sustainability have been an increasing focus for GBMSD in the last several years and will grow as GBMSD receives new permits for its Green Bay and De Pere Facilities that will have stringent nutrient removal requirements mandated by the DNR. As noted above, GBMSD will begin design and permitting of the solids management facilities in 2012. In addition, the Director of Technical Services is planning to retire in 2013. These three factors lead staff to request the addition of a Director of Environmental Programs beginning in October 2012 that will take on responsibility of Environmental Programs and allow the Technical Services Director to focus on Engineering and Field Services. Staff plans to provide a smooth transition to allow knowledge transfer to occur between the two directors in 2013. Staff plans to evaluate operations in 2013 to determine if two directors are needed going forward or if the functions can be combined back under one director.

For further detail on O&M expenditures, please refer to the budget package.

Capital

As GBMSD proceeds toward adoption and implementation of a Solids Management Plan, staff has included starting design of the recommended alternative in 2012 and has proposed issuing a General Obligation bond in 2012 to fund the expected \$9.9 million cost. Also included in the budget is \$1.5 million to be collected in 2012 and used for rate stabilization in subsequent years as increased debt service payments needed for the solids project begin to be realized.

GBMSD 2012 debt service expenses are budgeted for \$9,030,429, an increase of \$1,959,476 over the 2011 budget amount. Annual capital is budgeted at \$3,491,082 and includes \$950,000 for the second phase of the Highway 41 interceptor relocation project that will be funded from the interceptor cost recovery reserve.

For further detail on capital expenditures, please refer to the allocation of capital and debt service cost, annual capital, and capital improvement plan in the budget package.