



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Commission Subcommittee for Future Financial Planning**

FINAL REPORT

November 27, 2006

**Commission Subcommittee for
Future Financial Planning
Final Report**

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SUBCOMMITTEE MEMBERS

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EXPERT WITNESSES

- Charles Burney, Program Manager
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- Carl Johnson, Sr. Vice President
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- Bill Krill, Sr. Project Manager
HNTB Engineers; Milwaukee, Wisconsin
- Bill Mielke, President
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- Dale Olen
Great Waters Group — Sierra Club;
Milwaukee, Wisconsin
- Tim Sheehy, President
Milwaukee Metropolitan Association of Commerce;
Milwaukee, Wisconsin
- Richard Wanta, Executive Director
Wisconsin Underground Contractors Association;
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BACKGROUND

In January 2006, the MMSD Commission created the Subcommittee for Future Financial Planning with the objective of assessing the long-term financial impacts of current and planned capital and operations programs. This assessment does not address the projected costs that are associated with workforce matters.

The impact of increasing costs and calls for revenue limits upon the MMSD and the communities it serves has to be addressed and planned for in a comprehensive manner with the intention of mitigating any potential liabilities and costs. It is within this context that the Subcommittee reviewed current and future program plans. While we do not assert that we have covered all possibilities, the Subcommittee has reviewed and made policy recommendations in the major areas.

Our methodology identified future obligations, their fiscal impact and the manner in which they might be either funded or avoided to hold down costs. Whenever possible, we considered alternative solutions to raising user charge and/or tax rates. While it is not possible to measure the outcomes of the recommended policies or actions, it has been demonstrated that within industry best practices the results have been beneficial. In every instance the Subcommittee sought to assure that public health was protected and the environment was preserved.

The Subcommittee worked closely with the MMSD staff as well as calling upon experts and others in both the public and private sectors. We also reviewed the policies and directives of the Wisconsin Department of Natural Resources (WDNR) and the U.S. Environmental Protection Agency (EPA) in our research.

FINDINGS AND SUMMARY OF RECOMMENDATIONS

1. We considered the potential impacts of financing and implementation of recommended projects from the 2020 Facilities Plan. Since this facilities plan is still being developed, there is no funding available in the proposed MMSD long-range financing plan for the 2020 Facilities Plan projects.

However, operational changes and the trend by the regulatory agencies to address permitting through a watershed-based permit will allow MMSD to stage or reduce future capital improvement costs. MMSD must adopt a continuous planning or adaptive management approach to implementation of the 2020 Facilities Plan. This will require an ongoing planning investment but has the potential to reduce the much larger capital investment. Therefore, MMSD should proceed with care in considering long-term commitments.

2. Based on the watershed approach of WDNR and U.S. EPA, the responsibility for water quality improvements extends well beyond the boundaries, legal authority and responsibility of MMSD. A funding scenario for sharing the costs of improvement should be developed on a watershed by watershed basis to include the state role and responsibility.
3. Calls for revenue limits on MMSD and the communities it serves may prevent the implementation of proposed program requirements. This may result from unfunded mandates from the regulatory agencies and regional planning, increased funding needs for contract operations services including greater energy costs, the reduction of revenues due to decreased wasteloads from industrial users, and upcoming large machinery and equipment replacement need at the wastewater treatment plants. MMSD must develop strategies and plans to mitigate these issues.
4. Need to aggressively seek alternative funding sources in both the private and public sectors, and work in collaboration with other public and private entities. Participate as a full partner in the regional economic development efforts to expand MMSD industrial customer base.
5. Review internal operations and methods to optimize outcomes, avoid or hold down costs and increase efficiency of delivered services.
6. Need to develop regional public communication plan and education program to keep the public informed and involved in the regulatory changes and requirements regarding water quality and related costs.

CATEGORIES OF RECOMMENDATIONS

The work product of the Subcommittee is presented as “categories” instead of just recommendations.

The purpose of this is to convey the need to consider the adoption of each “category” as Commission policy. This implies a requirement for a series of actions that could include public debate and development of implementation strategies rather than just having the Commission approve or accept the report.

CATEGORIES OF RECOMMENDATIONS

I. 2020 Facilities Plan and Watershed Management

Recommendation:

While MMSD is required by the 2002 DNR Stipulation to complete the 2020 Facilities Plan, it should be done in a manner that will, to the greatest extent possible, address the issue of *improving water quality* on a regional, cost effective basis. This improvement would be accomplished through a watershed approach. This would be a shift in regulatory policy focus in that water quality standards represent a broader concept of which permit compliance is only a subset. Water quality improvement seeks results oriented outcomes versus compliance with permit effluent limits for wastewater discharges by MMSD. While pursuing this direction MMSD should seek those solutions that maximize water quality improvements, and meet regulatory requirements while minimizing major financial commitments for MMSD and its customers over the long term. MMSD should look at staging or phasing the facilities to help control costs as well as not assuming responsibility for costs that should be borne by other entities. MMSD should review the watershed management processes in place in other jurisdictions as well as the concept of watershed trading and determine their potential value to MMSD.

Discussion:

1. It has been proven that a major threat to water quality comes from non-point sources. Non-point source pollution comes from outside as well as within MMSD boundaries. Therefore the cost for solving the water quality problem should be borne by all regional stakeholders within the watershed. This is consistent with the concept contained in the U.S. EPA's watershed approach which focuses on consensus strategies and an integrated solution. The U.S. EPA 's regional collaboration strategy for Great Lakes restoration also addresses a holistic process for achieving water quality. According to WDNR's Great Lakes Restoration and Protection Strategy the total input of stressors from non-point source pollution today considerably exceeds that from point sources. Work on point sources approaches a point of diminishing returns; funding to increase point source control beyond 90 percent or 95 percent is less effective than providing the same amount of funding to address non-point sources. Many governmental agencies, non-governmental organizations, including universities and colleges, and the regulated community, are already at work, or interested in, reducing non-point source pollution in the Great Lakes.

Pollution from non-point sources has led to a Great Lakes ecosystem that is deteriorating in health and quality. Existing programs must be coordinated for efficient tracking of results, evaluated routinely for effectiveness, and held accountable.

According to WDNR, water quality standards are the foundation of the water quality-based control program mandated by the federal Clean Water Act. Water Quality Standards define the goals for a water body by designating its uses, setting criteria to protect those uses, and establishing provisions to protect water quality from pollutants. A water quality standard consists of three basic elements:

1. Designated uses of the water body (e.g., recreation, water supply, aquatic life, agriculture),
2. Water quality criteria to protect designated uses (numeric pollutant concentrations and narrative requirements), and
3. An antidegradation policy to maintain and protect existing uses and high quality waters.

Specifically, standards help to identify water quality problems in streams, rivers, or lakes that may have been caused by human activities like improperly treated wastewater discharges, runoff or discharges from agricultural or urban sites, excessive sedimentation from runoff of soil, over-application of fertilizers and chemicals from agricultural areas, or erosion of stream banks caused by improper grazing practices. Standards also support efforts to achieve and maintain protective water quality conditions, including:

1. Total maximum daily loads (TMDLs), waste load allocations (WLAs) for point sources of pollution, and load allocations (LAs) for non-point sources of pollution,
2. Water quality management plans which prescribe the regulatory, construction, and management activities necessary to meet the water body goals,
3. NPDES water quality-based effluent limitations for point source discharges,
4. Water quality certifications under CWA § 401 for activities that may affect water quality and that require a federal license or permit
5. Reports, such as the reports required under CWA § 305(b), that document current water quality conditions.
6. CWA § 319 management plans for the control of non-point sources of pollution.

Of the six conditions listed, NPDES permit limits for wastewater treatment plants, separate sewer overflows and combined sewer overflows are only one of the conditions addressed in achieving water

quality. Improving water quality requires a broader area of responsibility. If we want to meet that goal we must agree on how it is to be achieved, paid for and the role of the MMSD 2020 Facilities Plan in the process.

2. In addition to the focus on water quality and pollution control, MMSD should also include in the planning process those approaches that will contribute to keeping and expanding our industrial base. To achieve this MMSD should work with regional organizations, such as the Milwaukee 7 Council and others in the private sector. The provision of a clean, safe environment is a benefit in the economic development process which would help to broaden MMSD's customer base.
3. The 2020 Facilities Plan and SEWRPC's Regional Water Quality Management Plan Update will provide a great deal of regional information on the condition of our region's waterways. The integrated plans will identify implementation actions which go far beyond the jurisdiction of MMSD but still have a significant financial impact on MMSD. The 2020 Facilities Plan and SEWRPC's Regional Water Quality Management Plan Update will provide an opportunity to identify the respective costs and actions that MMSD may need to take regarding future cost for better water quality.

Due to the contribution that MMSD is making and has made to this and other regional planning efforts, consideration should be given to MMSD participating as a member of the SEWRPC Board.

Possible Financial Impact: While there is no anticipated savings from this recommendation, cost avoidance is extremely important as is assuring a public health return on the MMSD investment.

Action Required: MMSD Commission approval of recommendation and consideration of MMSD's role in the process and implementation.

II. Adherence to Legal Mandate

Recommendation:

In order to control costs, MMSD should continually assure that activities undertaken by MMSD are required by law, court order, for the protection of facilities, or for other compelling reasons. At the same time, MMSD should use these mandates to the extent possible to seek new revenue streams, both public and private, as well as sharing costs for regional responsibilities with other jurisdictions within the region and at the State level.

Discussion:

The commitment and development of activities and/or projects that may result in unfunded mandates deserve close legal analysis, technical review and policy implications. MMSD should be proactive in its relationships with other agencies and organizations that have the potential to provide additional funding. Private funding of environmental projects or activities is an option that should be more fully explored.

Possible Financial Impact: Significant avoidance of unforeseen increases to property taxes and user rates. Increased funds for achieving MMSD's mission.

Action Required: : MMSD Commission approval of recommendation..

III. Clean Water Trust Fund Support

Recommendations:

Along with other Milwaukee based organizations such as City of Milwaukee, the Metropolitan Milwaukee Association of Commerce and the Wisconsin Underground Contractors, MMSD would continue to work with the Washington, D.C. based National Association of Clean Water Agencies and Clean Water America to encourage the U.S. Congress to create a trust fund to provide increased federal funding to MMSD and other sewerage agencies nationwide.

Discussion:

With the looming capital improvements mandated by the State and Federal government, MMSD faces significant increases in its capital improvements program. MMSD is a member of Clean Water America, a national coalition committed to increasing funding to improve water quality. Alternative sources of federal funds would assist the MMSD to meet this challenge without significant increases to our customers. A Federal Clean Water Trust fund is one such revenue source. It would be similar to the highway trust fund with dedicated funds of \$30 billion per year and the aviation trust fund with \$8 billion per year. The Clean Water Trust Fund would guarantee the future of the State Revolving Loan Fund, which helps MMSD to fund projects, and it would add a federal grant component. Clean Water America is the largest national coalition dedicated to clean and safe water funding and promoting the creation of a national clean water trust fund. With more than 130 members – including environmental organizations, commercial and recreational fishing associations, business and industry groups, municipalities and public health groups – the Coalition uses its distinct voice to educate policymakers and the public about the need for sound conservation and a renewed commitment to America's waters.

Possible Financial Impact: The Clean Water Trust Fund would significantly reduce the future debt service costs related to the MMSD Capital Improvement Program.

Action Required: Formal approval of the Trust Fund concept by the MMSD Commission and further development of partnerships to promote the trust fund.

IV. Review of Tunnel Operational Methods

Recommendation:

MMSD should determine whether there are any water quality and/or financial advantages in modifying tunnel operations. If so, investigate the possibility for regulatory approval, the impact on our permit, and the implications for 2020 Facilities Plan capital costs.

Discussion:

Through the efforts of our 2020 Facilities Plan team, MMSD has determined that operation of the deep tunnel system can have a financial impact on our capital improvement program. Bill Mielke of Ruckert-Mielke testified before the Subcommittee for Future Financial Planning that MMSD is not operating the system as efficiently as possible due to regulatory handcuffs placed by WDNR on MMSD. Mr. Mielke's objective is for MMSD to achieve the highest level of water quality for the least amount of capital expenditures. Whether or not this concept is valid has to be determined through further investigation and/or negotiation.

Currently, MMSD is regulated in its discharge permit on the annual number of combined sewer overflows (CSOs) and on the recurrence of separate sewer overflows (SSOs). The regulations allow for up to six CSOs per year. The SSO recurrence is defined in terms of a "Level of Protection" or LOP. In the 2010 Facilities Plan, the approved LOP for MMSD was at a minimum of five years, which means that MMSD could have only one wet weather related SSO every five years.

The operation of the deep tunnel was developed to meet or exceed these regulatory constraints. In order to do this, MMSD has established a methodology based on reserving empty volume in the tunnel for separate sewer flow. The methodology calls for this empty volume to be reserved for separate sewage tunnel inflows that occur late in a storm. This reserved empty volume is called the "volume reserved for separate sewage inflows" or VRSSI.

The Subcommittee for Future Financial Planning heard testimony from Mr. Mielke where he stated that current regulations hampered MMSD's abilities to improve water quality. Mr. Mielke testified that the VRSSI should be set to zero, thereby reducing the number and volume of combined sewer flows but increasing the number and volume of separate sewage overflows. This would be a violation of the current Wisconsin Pollution Discharge Elimination Permit held by MMSD and would require further investigation with State and Federal regulators.

Currently, when a rain event begins, combined sewage tunnel inflows occur almost immediately. The combined sewer tunnel inflows add more water to the tunnel and the remaining empty tunnel volume decreases. As the empty volume approaches the preset VRSSI, MMSD staff actively intervenes with a computer algorithm by adjusting downward the VRSSI. In short, a higher initial VRSSI with incremental reductions provides for maximizing the use of the tunnel, minimizing overflows and exceeding regulatory requirements.

In order to analyze the impacts of VRSSI, a very detailed modeling effort was undertaken. Through this effort, MMSD is able to show that with active, accurate management of the VRSSI, the initial VRSSI can be set to at least 335 MG and meet the SSO LOP requirements and exceed the CSO requirements. The table below summarizes the various results, based upon the available 2020 model results to date.

	VRSSI (MG)	CSO Ave. Annual number of events	SSO LOP (years)
Maximize capture (Proposed by Bill Mielke)	0	1.4	0.6
Model (VRSSI constant)	177	2.9	2
Accurate prediction (VRSSI variable)	0-335	1.7	5
Accurate Prediction (VRSSI variable)	0-432	1.7	8.1

Note: All scenarios assume 2020 populations and land use with 2010 committed sewer system

Based on this analysis, it may be possible in the year 2010 for the MMSD to meet or exceed its regulatory requirements for the development and population expected in the year 2020, if MMSD can continue to operate the tunnel using accurate VRSSI prediction. If the Department of Natural Resources agrees, then the recommended wet weather control capital improvements in the 2020 Facility Plan may be prioritized and implemented over a longer period of time allowing the expenditures to be staged over time.

This approach to tunnel operation and its projected impacts on the need for capital improvements will be fully presented in the 2020 Facilities Plan Implementation Plan.

Possible Financial Impact: To be determined after further research. However savings could be realized with more efficient operation of the tunnel based upon negotiations with regulatory agencies or other legal actions.

Action Required: Commission adoption of the recommendation. Staff to continue to work with regulatory agencies.

V. Operations Services Contracting Out

Recommendation:

If the continued contracting out of wastewater system operations is the selected option, the new contract should incorporate incentives and disincentives in the area of performance that will result in cost savings and/or cost avoidance. The contract should also require that the contractor assist in the management of the reduction of energy costs.

Discussion:

It is important that increased oversight be provided in any new contract for wastewater system operations and that performance standards metrics be established with financial incentives and disincentives. The contractor should also assist the MMSD in the management of energy costs, in communicating with the public about operational matters and implementing the MMSD life cycle asset management program.

In 2003, the Executive Director called for an audit of United Water Services (UWS) at the mid-point of their 10-year O&M contract. In 2004, Mayor Tom Barrett asked for an overall audit of MMSD and our contractor, UWS. As a result of these audits the following additional recommendations should be applied to any new contractor:

- The operating contract should include incentives and disincentives pertaining to combined and separated sewer overflow prevention.
- The operating contract should include a time limits to speed up the current dispute resolution procedure.
- The operating contract should include specific criteria on the acceptable level of maintenance for capital equipment, including incentives and disincentives and the contractor's role in MMSD life cycle asset management program.
- The operating contract should include continuous training of contractor staff to ensure proper operation of the system and any new components.
- The contract should include a requirement for a succession plan to be developed by a date certain.

Possible Financial Impact: Reduction in O&M costs and increase in efficiency. Avoidance of costs that may arise from disputes.

Action Required: Adoption by Commission and inclusion in RFP that is under development.

VI. Procurement of Energy

Recommendation:

Creative and aggressive steps must be taken by MMSD to contain the escalation of the costs of energy due to the end of the United Water Services contract in 2008 and increases in the marketplace. However, such steps should be taken in a collaborative manner with existing or potential energy providers as well as being included as a condition in any RFP for the contracting of operations services.

Discussion:

Creative and aggressive steps must be taken by MMSD to contain the escalation of the costs of energy due to the end of the United Water Services contract in 2008 and increases in the marketplace.

Through our 2020 Facilities Plan effort, MMSD is analyzing all available approaches to reducing our future energy needs. This will be presented to the Commission at the conclusion of the 2020 Facilities Plan.

Possible Financial Impact: The initial impact of the next contracting approach will have significant impacts on our ratepayers. The goal would be to provide stability after that point and through good planning and practices reduce our future energy needs.

Action Required: MMSD to undertake a study; develop and seek options; negotiate with possible contractor and providers; make recommendation to the Commission.

VII. Consider Design-Build Project Delivery Methodology

Recommendation:

MMSD should explore the possibility of utilizing a project delivery system known as design-build. Design-build has been used nationwide and has the potential to reduce costs and to accelerate schedules.

Discussion:

Design-Build is a project delivery system that allows the owner to hire one entity to perform both the design and the construction of a project. By doing this, phases of the design can be completed and construction started while the rest of the design is being completed. Nationally, this has been shown to reduce the time necessary to complete a project and, in most cases, has reduced the costs of the project. Design-build is currently permitted in a majority of states in the U.S. While MMSD currently has limited authority to utilize design-build in emergency situations, it is important that the authority be expanded to include non-emergency projects. This would require that the State Legislature modify the law to allow MMSD to proceed with design-build.

By statute the District is authorized to enter into construction contracts. Specifically the statute states at §200.47(2) (a) Wis. Stats.:

“. . . all work done and all purchases of supplies and materials by the commission shall be by contract awarded to the lowest responsible bidder complying with the invitation to bid, if the work or purchase involves an expenditure of \$20,000.00 or more.”

There are three exceptions to this requirement of award to the lowest bidder. The first two are specific statutory exemptions to the requirement that the District award contracts to the lowest bidder following advertisement. The first statutory exception is what is commonly called “sole source”. Sole source exists when the work is being done or the equipment being purchased is patented or manufactured by a single party. If the contract is a “sole source” contract there is no requirement that the contract be bid. The second statutory exception relates to “public emergencies.” If there is in fact a public emergency, wherein public health or welfare is endangered because of actual or threatened damage to the sewerage system, a contract can be awarded with bidding.

The third exception relates to the legal interpretation of “all work done” as contained in the District’s statute. Cases have routinely stated that phrases such as “all work done” refers to “manual labor” such as required by construction contracts. The law goes by the general rule that if the work on a project involves the hands, the project is bid. If the work on a

project involves the brain, e.g., engineering design, the project is negotiated and award is based upon other factors besides price.

Contracts for construction of public facilities are designed, bid, and then built. This approach is commonly called "*design-bid-build*." Under this approach, there is a minimum of two contracts entered into for each project. The first contract is a negotiated procurement of engineering services for the design of the project. Once the design is completed, the design becomes the basis of the bid documents for the construction contract. The design is bid and award of the contract is made to the lowest bidder. This entity then constructs the project.

Design-build can be of significant value to a municipality because it offers the advantages over the traditional design-bid-build method of project delivery. Design-build reduces the time from design through construction because design can be progressing while construction is under way. Because the designer and contractor are working together, teamwork is fostered and the theoretical knowledge of the designer when combined with the practical knowledge of the contractor can result in a much better project. Because the municipality is dealing with only one entity, total costs are lowered through the reduction of construction time and the possibility of avoiding the paying of double margins to both the designer and the contractor for the same work. Because the municipality is dealing with a single entity rather than two, there is a single point of responsibility which should result in lower claims and litigation cost through the avoidance of finger pointing between the designer and the contractor when there are project problems.

The District in 1999 decided that it would be worthwhile to pursue the design-build form of project delivery. In pursuing design-build, it was recognized that without a change in the District legislative authority, design-build could not be regularly used. The District investigated those situations where legally design-build could be used without amending the District's contracting statute and at the same time pursued amending the state statutes to permit the use of design-build.

Although design-build was not legislatively permitted for routine construction, it could be used for certain projects. The projects where design-build could be utilized were the three exceptions to bidding: sole source, emergency, and projects. Of these three exceptions, two existed in 1999.

One project chosen for this approach was the SCADA (Supervisory Control and Data Acquisition) system. SCADA was a project that could not be bid because the construction would have to be based upon the

design chosen by the contractor and that the design would be ongoing throughout the construction period based upon information gathered during construction. In essence, the work is innovative and incapable of being designed without construction proceeding. SCADA was also both a very substantial engineering/software contract as well as a construction contract. There was a substantial intellectual property component of this project.

Design-build was necessary because it was impossible to design the system since design depended to a large extent upon the equipment/ approach taken by the contractor. SCADA was completed using the design-build form of project delivery.

The second project wherein design-build could be utilized was Lincoln Creek Reach 6. Lincoln Creek Reach 6 was declared a public emergency due to extreme flooding that had taken place in earlier years. Use of design-build would allow construction to be completed in time to avoid subsequent flooding. In March 2000, the Executive Director declared an emergency and notified the Commission. In April 2000, the Commission approved the design-build method of project delivery and in July 2000 a design-build contract was awarded.

More information about the design-build methodology can be found at www.dbia.org.

Possible Financial Impact: This methodology has the potential to help reduce the future cost of the capital improvement program.

Action Required: Commission approval of the recommendation and assigning of staff to develop an implementation strategy.

VIII. Internal Management & Operations Review

Recommendation:

In applying the concept of continuous improvement and increased efficiency, MMSD should increase its focus on internal processes. For example, continuing to upgrade design related issues, considering additional areas for privatization, seeking better cooperation between capital programs and operations, Milorganite marketing changes, and increased data sharing. MMSD should also consider the potential for additional contracting of operations if review indicates that it would result in increased efficiencies while reducing costs.

Discussion:

Some processes that have proven to be cost effective that MMSD may consider include pre-qualification of firms, pre-proposal meetings, qualification-based selection process, workshops in planning preliminary design, increased use of value engineering, and having the designer independent from the construction manager in order to provide increased oversight. MMSD staff is continuing to address the data sharing issue through internal audit reviews and the implementation of an integrated GIS. This system will lead to better document management and coordination of the operations and capital improvement programs. Finally, MMSD should continue to develop its life cycle asset management program to aid in extending the useful life of plant and equipment.

Possible Financial Impact: Significant cost savings will be realized through increased efficiencies and in competitive procurement.

Action Required: MMSD Commission approval of recommendation and staff planning for implementation.

IX. Public Communications

Recommendation:

MMSD needs to formalize and enhance its public communications and education program to clarify the causes and the potential solutions for regional water quality and pollution control problems. The major financial impacts and the long-term importance to the metropolitan region require a high level of continuous communication with the public. A public communications strategy should be developed in concurrence with the stakeholders in this area.

Discussion:

Critical to this process is the transition of public policy from regulatory compliance based permitting to watershed/water quality outcome based planning on the part of WDNR and EPA. The related costs, reasons, processes and impacts on the public must be communicated early and often. Building off the information gathered from the 2020 Facilities Plan effort, MMSD will develop a public communications strategy that will provide clear understanding of the MMSD's mission and vision for the future as a participant in the changing policy process.

Possible Financial Impact: Improved financial performance will be realized through the public's better understanding and acceptance of regulatory agency requirements and MMSD's goals and objectives to meet those requirements.

Action Required: MMSD Commission approval of public communications strategy.

CONCLUSION

1. The regulatory community, both Federal and State, is in the process of transitioning from point source permit compliance to outcome based water quality results. The emphasis is on the environmental improvement that will result from the resources invested. This is a paradigm shift in public policy implementation.

For MMSD this means that a long-term commitment to a strategy based on point source permit compliance, including SSO, CSO or wastewater treatment plants, probably will not achieve the desired water quality results that the regulators are moving toward. Therefore, MMSD should be cautious in its long-term commitments in the 2020 Facilities Plan and should more appropriately approve the Plan on a phase-by-phase basis while examining each facility improvement for water quality impact as well as cost.

2. The operation of the deep tunnel system plays a significant role in meeting regulatory requirements and minimizing future costs. MMSD should continue to work with the EPA and the DNR to improve water quality, meet regulations and minimize costs. This can be done through active management of the tunnel reserve (VRSSI), establishing total maximum daily loads (TMDL's) for the watersheds, transitioning to watershed-based permitting, and possibly implementation of a water quality trading program.
3. There are a series of methods and techniques that should be adopted as policy and/or procedures to avoid or hold down costs in the capital program. These include among others, design-build, contracting out, internal procurement modifications, and challenging unfunded mandates. Some of these approaches will require that a legal and political strategy be developed and executed.
4. MMSD should work with stakeholders to formalize and enhance its public communications and education program on a regional basis. This effort would help the public understand how any changes in regulatory policy may financially impact them as MMSD rate payers. It would also teach them about water conservation and pollution control activities they can practice to help improve water quality.

APPENDIX

Proceedings of Subcommittee Meetings

Please note, this appendix does not include the attachments to the proceedings. Copies of the attachments are available from MMSD's Office of the Commission.

- January 23, 2006A-1
- February 27, 2006A-5
- March 27, 2006A-9
- April 24, 2006A-12
- May 22, 2006A-21
- June 26, 2006A-26
- July 24, 2006A-30
- September 25, 2006A-35



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

*Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E., Mark Kaminski*

Monday, January 23, 2006

10:00 a.m.

MMSD Headquarters Building, Room 121

CALL TO ORDER

The Chair called the meeting to order at approximately 10:50 a.m.

RECORD ROLL

*Present: Wallace White, Jeannette Bell, Robert C. Brunner, Pedro Colon,
Ashanti
Hamilton, Mark Nicolini, Robert Scott, Kevin L. Shafer, P.E., Mark
Kaminski*

I Review of Purpose and Goals

Commissioner White read into the record the following purpose and goals of the MMSD Subcommittee for Future Financial Planning:

1. The impact of increasing costs and declining revenues upon the MMSD and the communities it serves must be addressed and planned for in a comprehensive manner with the intention of mitigating potential financial liabilities and costs. The staff has done an excellent job of developing a sound technical and environmental engineering approach. The MMSD Commission, in executing its fiduciary responsibility, will work with the staff in the area of creating a comprehensive financial plan.

2. The goal of the Subcommittee is to develop and assure a realistic, cost effective approach to achieving the various contractual and mandated requirements that MMSD faces while protecting the public health and preserving the environment. We will identify future obligations, their fiscal impact on MMSD and the manner in which they may be paid. The methodology should be broad based in that we will consider alternative solutions in addition to raising taxes or rates. This must be done while simultaneously containing rising costs as much as possible.
3. We intend to utilize both traditional and non-traditional mechanisms in the Subcommittee process to allow for the inclusion and validation of best practices in achieving the most efficient outcomes. This means that we will invite not only governmental and environmental entities but we will be asking for participation from the business and academic communities as well as from the media. In addition to staff, we will be calling upon experienced or expert resources external to MMSD.
4. My role as Chair will be to serve as a facilitator in the exchange of approaches, alternatives and desired results while providing guidance to the Subcommittee that is consistent with the overall direction and intent of the Commission.

Commissioner White indicated that a report will be given to the Commission on May 31, 2006.

II Subcommittee Organization & Assignments

Three task groups were assigned to work on three initiatives:

- Task Group No. 1 (Pedro Colon/Jeanette Bell): Governmental Options
- Task Group No 2: (Wallace White/Robert C. Brunner/Robert Scott) Private Section Options
- Task Group No. 3: (Mark Nicolini/Ashanti Hamilton) MMSD Review & Options.

The task groups will meet at various governmental offices, industrial users' offices, and at the MMSD office.

The task groups will be responsible for identifying and clarifying financing issue impacts in their area of responsibility; research and gather information; meet with key persons and solicit their input; make

assessments and analyze the information; and make a recommendation for follow up.

III MMSD Financial Needs – Short & Long Range

The Subcommittee received presentations from Kevin L. Shafer, P.E., Executive Director, Mark Kaminski, Acting Controller and Michael McCabe, Director of Legal Services related to short and long range financial needs.

Kevin L. Shafer, P.E., Executive Director reported on the following:

- Progress of the 2010 Facilities Plan which is on schedule
- The 2020 Facilities Plan (Water Quality Initiative Facilities Plan coming out in 2007/2008)
- The expiration of the United Water Services contract which expires in 2008
- The loss of the Red Star Yeast

Mark Kaminski, Acting Comptroller, distributed a six year capital financing budget long range financing plan and asked the Subcommittee to focus on the following:

- 2% tax levy
- The balancing of the 25% cash reserve and levy increases
- Maintaining the bond ratings
- Debt service
- Project spending

Mark Kaminski indicated that the current plan does not reflect the 2020 Facilities Plan and further reported that the Cost and Financing alternatives are currently being looked at.

Mark Kaminski also indicated that related to the O&M Budget, the UWS contract expires on February 28, 2008 and the significant financial issues the District will face are the natural gas situation, the loss of sales in Milorganite and the loss of Red Star Yeast.

Michael McCabe, Director of Legal Services reported legal impacts related to the Capital and O&M legal impacts. He indicated that the District is facing four issues:

- The Citizen Law Suit
- The Boston Store Case
- The Renewal of the UWS Contract
- The process of RFPs for the UWS Contract

IV MMSD Proposed Strategy to Meet Needs

Kevin L. Shafer, P.E., Executive Director indicated to the subcommittee that he will arrange a meeting on February 15, 2006 with the top 20 Industrial Users/Providers of Waste Water to the District to share information that was discussed by the Subcommittee and request their opinions and business plans.

Mark Kaminski, Acting Comptroller reported on:

- Equipment Replacement Fund
- The User Charge Stabilization Fund
- The Cash Reserve.

V Joint Conceptual Strategy & Steps

Commissioner White, Subcommittee Chair, read into the record, the joint conceptual strategies and steps as follows:

- Close coordination between staff and Subcommittee to avoid duplication, overlap or confusion
- Deliver a product that meets both technical and financial needs of MMSD
- Will consider holding workshops in addition to one on one meetings to receive broader input from stakeholders

VI Subcommittee Schedule and Process

Commissioner White indicated the following:

- Task groups can meet as often as needed. Process due to Subcommittee after monthly Commission Meeting
- Task groups will give monthly progress reports to the full Subcommittee. Final report to Subcommittee due by April 30, 2006
- Subcommittee report due to Commission by May 30, 2006

ADJOURNMENT

As there was no further business, the Subcommittee adjourned at approximately 11:40 a.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

***Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E., Mark Kaminski***

Monday, February 27, 2006

10:00 a.m.

MMSD Headquarters Building, Room 121

CALL TO ORDER

The Chair called the meeting to order at approximately 10:55 a.m.

RECORD ROLL

Present: Wallace White, Jeannette Bell, Robert C. Brunner, Ashanti Hamilton, Mark Nicolini, Robert Scott, Kevin L. Shafer, P.E., Mark Kaminski

Excused: Pedro Colon

I Introduction

Commissioner White read into the record the following portion of an article from the Milwaukee Journal Sentinel:

“The catch: Regulators must be persuaded to go along with running the regional sewer system as an integrated whole rather than a hybrid mix of systems.

Current rules ban dumping untreated flows from separate sewers that serve newer parts of Milwaukee and the suburbs, but allow some dumping into local waterways from combined storm-sanitary sewers under older parts of the city and a portion of Shorewood.

That has led to dumping sewage even when there's still space in the deep tunnel system, the cornerstone of the \$3 billion in sewer improvements finished in the early 1990s. Some 14 billion gallons of sewage have been dumped since 1994 by the Milwaukee Metropolitan Sewerage District, prompting lawsuits and controversy.”

II Review of Last Meeting

Commissioner Brunner made a motion to approve the Proceedings from the January 23, 2006 Subcommittee Meeting, Commissioner Jeannette Bell seconded. The motion carried.

III Task Group Reports

Mark Nicolini, Budget & Management Director, City of Milwaukee, informed the Subcommittee that his task group will present their report at the April or May meeting.

IV New Business**A. 2020 Facilities Plan Financial Drivers**

The Subcommittee received comments related to the 2020 Facilities Plan Financial Drivers, from Kevin L. Shafer, P.E., Executive Director, Mark Kaminski, Acting Controller, and Michael Martin, Director of Technical Services.

Kevin L. Shafer, P.E., Executive Director reported that he met with the top 15 Industrial Users on February 15, 2006, and indicated that he will come up with some preliminary thoughts and report back to the Subcommittee at the March Subcommittee Meeting.

Kevin L. Shafer, P.E., Executive Director, also reported that the reason the District started the Water Quality Initiative was to spend dollars in a most cost effective way to reduce pollutants. Mr. Shafer along with staff has been working on getting the analysis and alternatives completed.

Mark Kaminski, Acting Controller, reported on the cost analysis and time table of cost financing versus debt financing.

Michael Martin, Director of Technical Services reported on the high rate treatment cost of blending, baseline costs, bio-solid handling and the dollars that have already been spent to replace parts.

B. Bill Mielke Presentation

A presentation was given by Bill Mielke of Ruekert/Mielke, on the Water Quality Based Planning Approach versus Regulatory Based Planning Approach; and the Recommended Regulatory Change Governing Operation of the MMSDs Integrated Conveyance, Storage, Treatment System.

Mr. Mielke's presentation is available in hard copy in the Office of the Commission for review by any interested persons. Contact Marjorie Stahl, Commission Secretary, (414) 225-2108, for a copy.

Mr. Mielke indicated that the objective is to get the highest level of water quality for the least amount of capital expenditures. Mr. Mielke also indicated that MMSD staff must aggressively talk to the DNR, Congressional Officials and the EPA related to the regulatory handcuffs.

Comments were received from Kevin L. Shafer, P.E, Executive Director, Michael McCabe, Director of Legal Services and Timothy Bate, Engineering Planning Manager regarding regulatory handcuffs and how to eliminate them.

Michael McCabe, Director of Legal Services, requested clarification from Bill Mielke as to what regulatory handcuffs were and how can the District eliminate them.

Kevin L. Shafer, P.E., Executive Director, reported that according to Bill Mielke's report, the District is not operating the system efficiently today due to regulatory handcuffs that the DNR has put on the District regarding how the District operates the system. Mr. Shafer and Mr. Mielke both agreed that in order to get the DNR to move to the next step, the DNR needs to see that there is a Water Quality Improvement Plan being put in place or, that the District is operating under the same plan. Staff is currently running the analysis and is working on an approach of getting the highest level of water quality for the least amount of capital expenditure.

Tim Bate, Engineering Planning Manager, reported that he is gathering more information regarding the population change, land use, timeline and information on projections on the 2020 Facilities Plan.

V ADJOURNMENT

Mark Nicolini, Budget & Management Director, City of Milwaukee, requested that the Subcommittee's start time be changed from 10:00 a.m. to 10:30 a.m.

As there was no further business, the Subcommittee adjourned at approximately 11:55 a.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

*Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E., Mark Nicolini, Mark Kaminski*

Monday, March 27, 2006

10:30 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

The Chair called the meeting to order at approximately 11:05 a.m.

RECORD ROLL

*Present: Wallace White, Jeannette Bell, Robert C. Brunner, Robert Scott,
Kevin L. Shafer, P.E., Mark Kaminski, Pedro Colon, Mark Nicolini*

Excused: Ashanti Hamilton, Mark Nicolini

II Approval of Proceedings of February 27, 2006 Subcommittee Meeting

Commissioner Bell made a motion to approve the proceedings from the February 27, 2006 Subcommittee Meeting, Mr. Robert Scott seconded. The motion carried.

III Task Group Reports

A. Governmental Options

No Report

B. Private Sector Options

The Subcommittee received comments from Kevin L. Shafer, P.E., Executive Director regarding the recruitment of Wet Industry Development and rates.

C. MMSD Internal Review

The Subcommittee received comments from Kevin L. Shafer, P.E., Executive Director, regarding staff preparing responses to a list of questions the Subcommittee received from Commissioner Hamilton and Mark Nicolini, Budget & Management Director, City of Milwaukee.

IV MMSD Staff Report & Update

The Subcommittee received comments from Kevin L. Shafer, P.E., Executive Director, who reported on the budget kickoff scheduled for April 11, 2006, and the maximum 2% goal on the Capital and O&M Budgets. Staff is continuing on the Malcolm Pirnie work on the new contract, the Black & Veatch Rate Study is on-going; and the discussions with Minergy are also on-going.

The Subcommittee also received comments from Mark Kaminski, Acting Controller, who reported that the 2% billing is for both user charge and tax levy.

V New Business**A. Dick Wanta, Executive Director Wisconsin Underground Contractors Association (WUCA) – Clean Water Trust Fund & Lobbying**

The Subcommittee was seeking information from the Underground Contractors on how they might assist MMSD in meeting or avoiding future increased costs.

The Subcommittee received comments from Dick Wanta, Executive Director, Wisconsin Underground Contractors Association regarding lobbying, the Clean Water Construction Coalition, and the Watershed Approach to Water Quality Management in the USA. Mr. Wanta distributed related documents to the members of the Subcommittee, and they are also on file in the Office of the Commission.

Mr. Wanta reported on the Clean Water Trust Fund along with information regarding the Bush Administrations proposed budget cuts to Clean Water Funding. Mr. Wanta also submitted information, on file in Office of Commission, on the Taxpayer Protection Amendment and How It Affects the Construction Industry which will be addressed in Madison, WI on April 5, 2006, between 9:00 – 11:00 a.m.

Representatives of The Underground Contractors Association will be attending this meeting and voice their opposition to the Taxpayer Protection Amendment.

Mr. Wanta recommended that the MMSD authorize an MMSD lobbyist to go to Washington, D.C. on May 17-18, 2006 at the Marriott Hotel on Pennsylvania Avenue to accompany the Clean Water Construction Coalition. Mr. Wanta also indicated that the minority representatives, environmentalists, MMSD, as well as the National League of Municipalities need to get involved with the coalition and to also meet collectively with Congressman Young and Congressman Hasser.

Kevin L. Shafer, P.E., Executive Director, informed the Subcommittee that he is a board member of the National Association of Clean Water Agencies (NOWCA), who is the lobbyist for MMSD and clarified that the HR4560 is a Trust Fund document (not the Clean Water Fund). Mr. Shafer will call Ken Kirk who is the Executive Director of NACWA, in Washington D.C. to talk about the new coalition and to also get co-sponsors for the HR4560 Trust Fund Bill.

Mr. Shafer also indicated that MMSD has to take the time and effort to lobby for more money to finish contracts and also become an advocate for the coalition. Mr. Shafer indicated that it is going to take some time for a bill of this nature to work its way through Congress.

ADJOURNMENT

As there was no further business, the Subcommittee adjourned at approximately 11:50 a.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

***Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E, Mark Kaminski***

Monday, April 24, 2006

10:30 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

The Chair called the meeting to order at approximately 12:00 p.m.

RECORD ROLL

Present: Wallace White, Jeannette Bell, Robert C. Brunner, Kevin L. Shafer, P.E., Mark Kaminski, Pedro Colon, Mark Nicolini

Excused: Ashanti Hamilton, Robert Scott

Other Attendees: Mike McCabe

II Approval of Proceedings of March 27, 2006 Subcommittee Meeting

Commissioner Bell made a motion to approve the proceedings from the March 27, 2006 Subcommittee Meeting, Commissioner Brunner seconded. The motion carried.

III Task Group Reports

A. Governmental Options

No Report

B. Private Sector Options

No Report

C. MMSD Internal Review

Michael Martin, Director of Technical Services reported that he received questions from Commissioner Ashanti Hamilton and Mark Nicolini, Budget & Management Director, City of Milwaukee on the following:

- The 2020 Facilities Plan and contracts that have been awarded on research work that has been done
- What value do those projects/contracts add to the 2020 process
- How will they be used long term
- How is the information being shared with others

Michael Martin, Director of Technical Services and his staff sat down with Commissioner Hamilton and Mr. Nicolini and gave an overall response on all of the projects and how they are utilized.

IV MMSD Staff Report & Update

Kevin L. Shafer, P.E., Executive Director informed the Subcommittee that he will be attending the National Association of Clean Water Agencies Annual Meeting on the weekend. Mr. Shafer also informed the Subcommittee that at the conclusion of the meeting, Bill Meilke of Ruckert/Mielke and Neil Palmer from Elm Grove, will meet with Kevin L. Shafer on May 3, 2006 along with the EPA to talk about one of the alternatives that Mr. Meilke has proposed through the TAT for operating the tunnel differently. Mr. Shafer will report back at the next meeting.

V New Business**B. Joint Presentation by Mr. Carl Johnson, P.E., and Mr. Bill Krill, P.E., D.E.E.**

The Subcommittee received a presentation from Mr. Carl Johnson, P.E., Senior Vice President North Central Regional Manager, Camp Dresser & McKee and Mr. Bill Krill, P.E., D.E.E., Senior project Manager, HNTB. Comments were received from Mr. Patrick Marchese, private citizen, regarding the 2020 Plan and design building.

Mr. Johnson and Mr. Krill shared ideas from other utilities from around the midwest and identified six topics for the Subcommittee:

- **Potential New Project Delivery Strategies by Using Design Build**

Design build can be used when there is an emergency, and is highly recommended. Design build allows MMSD even in a non-emergency, the ability to complete projects quickly. When using design build, the outcome is very unique because you procure the design build very competitively because you have on the team, the engineer, the contractor and very often have the people involved in the operations of the facilities. So it is a very integrated and well thought through project at the end of design build.

Two other points about design build:

- You get one point of accountability, one firm is responsible to get the project done, and get it built and get it started up.
- Design build is the preferred approach when you have a complex project. Accountability is very important in design build, but you do not want to use design build when risk management is an issue because you are putting all of the risk on the design builder.

- **Promoting Project Understanding**

After looking at other peer agencies throughout the Midwest, we observed that they have a more step-by-step approach to educating the consulting community about upcoming projects. However, the downside of this is engineers requesting staff time to explain the projects, which is not what you would want to do. The step-by-step approach puts emphasis on pre-qualifications, in other agencies pre-qualifying 3-5 firms, and have an orchestrated series of pre-proposal meetings and facility walk through, and making sure that there is an understanding and what the scope of work is. When you add that understanding, you bring in from the engineering side, the innovation and the innovation gets to the cost savings.

When there is not the understanding, the innovation is tough because the engineers will want to protect themselves and there are sometimes unnecessary contingencies added.

Understanding is very important because the pre-qualification step allows you to deal with a small number of pre-qualified engineers, educate them on the project, and do that in a way that it doesn't take a lot of staff time, and you get better results.

- **Quality Based Selection**

In the current selection process for engineers, most of it is quality and some is cost. The more you can move your selection process to quality based and less to cost; it's a very important consideration. Example: If the agency spends 20 million on a project, at the end of the day when you design that project, build it and operate it, the engineering cost for the design will probably be 2-3 percent of the total cost. If you base as much of your selection as possible on qualification and hire the best firm to do the work, it would be the best thing. After reviewing third party studies, the more you select on qualifications, you end up getting more productive engineering work and actually end up saving money in the long run.

- **Information Sharing**

In terms of information sharing and information basis, the District is implementing two efforts right now that are going to help in that area. The GIS System and the digital library are both very good systems that consultants can use to learn about the agency and actually be more competitive. This will eliminate time spent with consultants educating them. As you move forward with the digital and library based systems, consultants who would inquire about Jones Island Preliminary Treatment, they would be able to go to a library and see a lot of reports and documents, which would really help educate them.

- **Planning and Preliminary Design**

The planning and preliminary design steps are a relatively small part of the overall cost, (2-3 percent), but it is also the opportunity that the District has to really leverage the value. What we have seen that works well in other locations, is to have a standard set of workshops to go through in this planning preliminary design. As soon as you get your engineer on board, at least 10-20 percent of the way, have the District staff and UWS Operations staff, look at the design criteria that is being

recommended and look at the engineers understanding the project requirements and use that opportunity to bring in any new information and make any mid course corrections that is needed.

The next key workshop is around 60 percent of the way through the project when the engineer has looked at the alternatives, done the evaluation and is ready to make a recommendation. Before that recommendation is made, you want to make sure that everything has been looked at to your satisfaction. Any new requirements will be entered in at that time.

Finally, as the recommendation is developed, the real scrutiny of that from the operational, legal and financial side, make sure all of those requirements are known. The three workshops are usually a half day investment, but if they are done well, timing wise it can really leverage the value of that 2-3 percent of the project you are spending in the planning phase.

The purpose of the workshop is for the engineer to present to staff, and staff to make sure that all of the requirements of the project are understood.

- **How to Package Engineering Services**

One way to package engineering services is design build. If MMSD goes with the more conventional designer and construction management, it's better to have an independent construction manager that is independent from the designer. That gives you a balance of what the contractor is saying and what the designer is saying. It also removes that conflict of interest if you have the designer doing the construction management.

There are some agencies in the Midwest that have done what is called a "demarcation" of engineering work. They have one firm do the preliminary design and then often times, that firm is not allowed to go after the final design. A different firm does the final design. This is something that MMSD might want to take a look at.

Mr. Patrick Marchese, private citizen, shared information on the design build strategy that the Metropolitan Seattle, WA area is doing using Hybrid Design Build. Mr. Marchese also explained how they use what is called the maximum appropriate cost strategy.

Mr. Marchese gave Example 1: The contractor is brought in at the 5 percent design. The contractors are then allowed to work with the Wastewater Plant designers, CH2M Hill. So you immediately get the benefit of the hard dollar contractor who employs concrete laborers and actual construction workers, working with the design engineers. This process is better and more efficient.

Example-2: King County made a decision to have the general contractor work with the designer up to the 35 percent design. At that point; when they have concurrence, they ask the general contractor to put together what is called the maximum appropriate cost. The way to manage the risk is to make a policy decision to where you want the maximum appropriate cost developed.

Kevin L. Shafer, P.E., Executive Director informed the Subcommittee that the state would only allow the District to use design build in a case of an emergency. Mr. Shafer also indicated that in order to use design build, it would take an act by the Executive Director and you also have to have good internal staff, and good project managers who understands the project and the process.

C. Questions & Answers

Mr. Mark Nicolini asked the questions, when using design build, where does the issue of a change order possibly arise, do they bare all of the risk of unforeseen circumstances and where under that kind of approach, does a owner still have some risk of a change.

Mr. Bill Krill, informed the Committee that it would depend on what form of design build the District decided to go with. Mr. Krill also explained that because you are working with a team all through the project, a lot of the things that could happen can almost be anticipated because you are working towards a common end.

Mr. Carl Johnson suggested that with design build, it would serve the District well, to have an owners representative. Some agencies will have an engineering firm develop a conceptual design with the agency, and with the 20 - 30 percent design, put it out to design build. The engineers would stay on as the owner's representative to work through the negotiations and represent the District.

Commissioner White asked Mr. Krill and Mr. Johnson, looking at 2020 long term, what can we do, how can we save, and what can we do to make it a more cost effective concept?

Mr. Carl Johnson informed the Subcommittee that the 2020 Facilities Plan will be very challenging when the District get into the implementation phase. It's going to end up being two real avenues:

1. What MMSD needs to do and what MMSD has traditionally done
2. All of the other things which we know are good places to spend money on water quality, but which the implementation and the ownership to get them done doesn't really exist.

Mr. Johnson also stated that where he can see 2020 going after they complete the plan, developing what MMSD is going to do and at the same time, looking at some demonstration projects to get some innovative approaches to look at some of the non-point source pollution activities and look at how they can be done.

Mr. Johnson also explained to the Subcommittee that a lot of 2020 is based on technology which are somewhat in their infancy. There is going to be some real groundbreaking development in this community as we start the implementation.

Mark Nicolini, Budget Director, City of Milwaukee, stated that between a watershed approach and design build, if you took a particular watershed and set goals on four or five primary pollutants that you wanted to address, we don't really care what techniques are in use. We only have a certain amount of money available for them, so we would have people compete on the best approach to addressing those pollutants.

Kevin L. Shafer, P.E., Executive Director, also informed the Subcommittee that when the 2020 Facilities Plan was set up from the very beginning, it was known then that there would be several things that the District would need to do, and several things that other entities would have to do, which was the reason the total watershed was looked at from the beginning. Mr. Shafer also informed the Subcommittee that the private projects for non-point pollution, was the next step that could be a recommendation that comes out of 2020, and it will be brought to the Commission to take a look at it and review the impacts. What they may entail is improvements to non-point that don't impact the District but improves water quality.

Mr. Carl Johnson shared his experience on Watershed Management, informing the Subcommittee that it's quite an art to get the participation of everyone in watershed, but there are good examples out there. The real power that the District has is a leadership role, to some pilot projects, but need to make the goals very clear to the land owners out there who basically hold the keys to water quality, as the storm water comes off of the land.

The Root River Project, in Metropolitan Detroit started in 1992, and they have documented improvement in water quality over the years. Wayne County was able to leverage extraordinary funding from the 47 communities and three other counties. There are ways to do this.

Commissioner Brunner asked Mr. Krill and Mr. Johnson, on Packaging Engineering Service, would this add to the design cost, and what about the approach where you have two firms do the design work cooperatively instead of having a different firm come in at the later stage?

Mr. Carl Johnson indicated that it would probably cost more in time because you would have a procurement for preliminary engineering and a procurement for final design. He also explained that District projects are very large projects and firms team all the time. So the District gets the benefit of teaming no matter which way they decided to go. The cost would not necessarily be in dollars, but it would definitely be in time.

Commissioner White asked other than the Root River example, are there any other examples that the District could take a look at.

Mr. Carl Johnson encouraged the District to take a look at Chesapeake Bay, the Everglades and the Water Shed Management District in Florida who also offers some very good examples. We need to also take a closer look at the great lakes Northeast Ohio Regional Sewer District, who has done a regional flood control master plan, and they are an agency who is beginning to move from wastewater mandate to wastewater and water resources stormwater. They have partnered with their 67 communities and set requirements. Another city to look at is Cleveland.

Mr. Bill Krill asked staff to look at the concept of trading which is already being done in the Midwest in Michigan and Minnesota.

Commissioner White asked where and if any watershed trading is going on anywhere right now?

Mr. Johnson informed the Subcommittee that some actual watershed trading is being done in Michigan and Minnesota. You can develop a framework to do the trading which takes a long time and there also has to be total buy in by the regulatory community.

ADJOURNMENT

As there was no further business, the Subcommittee adjourned at approximately 12:40 p.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

*Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E, Mark Kaminski*

Monday, May 22, 2006

10:30 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

Commissioner Colon called the meeting to order at approximately 12:45 p.m. and indicated there was no quorum.

RECORD ROLL

Present: Robert C. Brunner, Kevin L. Shafer, P.E., Mark Kaminski, Pedro Colon

Michael McCabe

Excused: Ashanti Hamilton, Robert Scott, Mark Nicolini, Wallace White, Jeannette Bell

II Approval of Proceedings of April 24, 2006

The April Subcommittee Proceedings will be approved at the June Subcommittee Meeting.

III Task Group Reports

A. Governmental Options

No Report

D. Private Sector Options

No Report

E. MMSD Internal Review

No Report

IV MMSD Staff Report & Update

No Report

V New Business**A. Presentations****1. John Cheslik, General Manager
United Water Services**

No Presentation

**2. Charles Burney, Program Manager
Wisconsin Department of Natural Resources**

Members of the Subcommittee present received comments from Mr. Charles Burney, Program Manager, Wisconsin Department of Natural Resources. Mr. Burney talked about the issues of setting the volume research for SSOs to zero, letting the tunnels fill and what happens after these processes. Mr. Burney explained that the DNR thought about these processes and also thought about if there was some way to set the system up to maximize capture. Although it is an appealing concept, the downside is that there are some obstacles to overcome and the DNR has not figured out how to do it. Mr. Burney also explained that after looking at this concept, the questions were raised as to; are there laws, rules and are there internal operating practices on all three levels?

Mr. Burney informed the Subcommittee members that there are federal and state laws that are very specific in differentiating between combined sewer overflows and all other practices. Everything is put together in a lump except for CSOs, and they are taken out within the law. He also explained that there is no state administrative code on combined sewer overflows and that there are only two communities in the state that are really combined sewers and they are here (Milwaukee, WI) and Superior, WI. The federal policy that was adopted in 1994 is currently being used, and that policy differentiates between sanitary sewer overflows and combined sewer overflows.

Mr. Burney commented on the internal practice and the fact that there were different design parameters that were set up for combined sewers. There are not any specific design parameters any more and no one builds any new ones. It just allows relays to be done. There are many obstacles that need to be overcome. They are contingent upon the planning effort that's going on and being looked at in the 2020 Facilities Plan but could be accomplished right away. The only thing that would stop it would be the laws, rules and regulations that exist.

Mr. Burney informed the Subcommittee members that all of the issues that he mentioned are issues that would reduce the total volume of overflows that occur. But you would be transferring the capture of CSO for an increase of SSO and in this vicinity and under the larger vents, those two overflows, the strengths would start to get closer and they are not equal. In the models that are being run the SSO is being modeled as a higher strength discharge than a combined sewer overflow.

Mr. Burney informed the Subcommittee members that he doesn't know what the water quality will show in the end, but his guess is that you're not going to see a lot of difference. The details are yet to come. The volumes would be reduced if the district use this option, but there are all sorts of regulatory hurdles that would have to be overcome.

Mr. Burney concluded by mentioning that he has heard from several people that because of the uniqueness of this system, you have a deep tunnel that serves both the combined sewer and sanitary sewer overflows and that it sets you apart from other communities. The problem is that once you close the gates to the deep tunnel system you have overflows from the sanitary sewer systems and from combined sewer systems and then you look like the rest of the state. When we look at this type of alternative we always say, what would this mean for the rest of Wisconsin? If you got some SSOs allowed, how many should Green Bay have, and how many should Madison have? What is the right number? If none is the wrong number then what is the right number?

Mr. Burney said that those were some of the issues that he wanted to raise to the Subcommittee and they are issues that they are trying to deal with that were thought about as they drafted the last permit. No one likes to be in the spot when there are overflows and then the SSO flows don't come and you are left with tunnel

capacity. The perfect storm is when you use up all of the capacity and everyone is happy, but the odds of that happening, is pretty small.

B. Questions & Answers

The Subcommittee members present received comments in the form of a question from Commissioner Grzezinski who asked Mr. Burney, does it make sense to gather some of the data and information to enable a determination to be made as to whether there is any potential significant water quality improvement from the operational change that is being suggested? Commissioner Grzezinski also mentioned that his puzzlement arose from two thoughts, one of which was the idea that's been presented, that when we have SSOs in this community, they seem to involve incredibly dramatic increases in volume from those sewers. Are those high volumes similar to those in other communities around the country or whether there is something different about the sanitary sewers here that are causing such incredible peaking rather than modest peaking? Some of the overflows seem extremely high.

Commissioner Grzezinski's second puzzling question is, if as I&I is reduced and the metro area works on reducing those unwanted flows, over the long term aren't we supposed to be bringing the sanitary sewer system toward the direction of a sanitary flow only that would cause SSOs to be stronger rather than indistinguishable from combined sewers?

Mr. Burney addressed the second part of Commissioner Grzezinski's question first. He informed Commissioner Grzezinski and the Subcommittee that the issues of the strengths of the CSOs and SSOs is, the only reason that the strength within the community start to come closer on the larger vents is that the system leaks so much. They start to function as combined sewers or closer to combined sewers than separated sewers. It's the leakiness of the system that causes this but, hopefully over time, this will decrease and the SSOs will start looking more like wastewater than combined sewage. Combined sewage is 90 percent rain water. The SSO events approximate that.

Mr. Burney then addressed the first part of Commissioner Grzezinski's question. He informed Commissioner Grzezinski and the Subcommittee that compared to other communities, MMSD's peek flows are remarkably high. When you look at the system as a whole and look at the day to day operation, we are fine. It's the peek flows that are killing us. MMSD has more peek flows than any other

treatment plant in the state has to deal with. That includes the plants that do not have to deal with the combined area. The peak flows are not at all typical.

Commissioner Brunner asked Mr. Burney if he was aware of any other areas of the country that have mandatory I&I restrictions related to the ratio of the dry weather flows?

Mr. Burney responded that if Commissioner Brunner was asking in terms of performance standards, he didn't know of any. People are now looking at what would be some good performance standards for collections systems.

To date, it has not been done nationally. However, metrics have been looked at and discussed, but it has not been done.

Commissioner Brunner asked, due to the lack of performance standards, would it be more difficult for the District to establish mandatory levels?

Mr. Burney responded, you won't find a level that's going to be applicable nationwide or even statewide.

Commissioner Colon asked in order to allow an increase in separate sewer overflows, would changes have to be made to state and federal laws, and regulations in which you operate. He also asked Mr. Burney if he foresees this happening quickly and are these internal operating practices an act of congress or an act of legislature.

Mr. Burney said that there are definitely some high hurdles because the laws are quite specific.

V. Adjourn

Commissioner Colon made a motion to adjourn, Commissioner Grzezinski seconded.

The motion carried

As there was no further business, the Subcommittee adjourned at approximately 1:05 p.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

*Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E, Mark Kaminski*

Monday, June 26, 2006

11:00 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

Commissioner White called the meeting to order at approximately 11:02 a.m.

RECORD ROLL

Present: Wallace White, Jeannette Bell, Robert C. Brunner, Pedro Colon, Ashanti Hamilton, Robert Scott, Kevin L. Shafer, P.E., Mark Kaminski, Mark Nicolini

Others in Attendance: Mike McCabe

II Approval of Proceedings of April 24, 2006 and May 22, 2006

A motion was made by Commissioner White, seconded by Commissioner Bell, to approve the April 24 and May 22, 2006 Subcommittee Proceedings.

The motion carried.

III Subcommittee Calendar for 2006

Commissioner White thanked the Subcommittee members for their patience, activities and support of the Subcommittee to date. However, he stated much more remains to be done. Commissioner White also apologized to the Subcommittee members for past delays which may have caused some problems.

Commissioner White also thanked the guests who have appeared before the Subcommittee in the past, and indicated that their input and information has been invaluable to the Subcommittee in terms of the work that has to be done and indicated that the Subcommittee may have to follow up with them again in the future.

Commissioner White reminded the Subcommittee that they have the responsibility to present a useful and well documented policy report to the full Commission. Therefore, it is in consideration of this and in preparation for the October 2006 Commission Retreat, along with the continued coordination with the MMSD staff, that we need to assure that the Subcommittee has input for a successful financial plan for both the 2020 Facilities Plan and the years leading up to it. To achieve this, there is additional work and analysis that the Subcommittee needs to complete. Commissioner White indicated that he and staff both agreed that the Subcommittee needs to continue to function through October 2006. During this extended period, the Subcommittee will meet at agreed upon times that may or may not coincide with the Commission meeting dates. Commissioner White also indicated that there may be times that the Subcommittee may have an impact on the upcoming O&M and Capital Budgets. The meetings will be held to a minimum.

IV MMSD Staff Report & Update

Kevin L. Shafer, P.E., Executive Director informed the Subcommittee that there was no report other than the updated schedule. However, Mr. Shafer informed the Subcommittee that in July, Mr. Tim Sheehy and a representative from the Sierra Club will speak to the Subcommittee. Mr. Shafer also informed the Subcommittee that in August staff will gather all of the information received from presenters, speakers and Subcommittees and try to provide more background information in the September cycle. Commissioner White suggested that the Subcommittee follow up with some work sessions.

V New Business

A. Presentations

1. John Cheslik, General Manager United Water Services

Commissioner White indicated the thrust and existence of the Subcommittee, which is to look at the financial planning and the long range impacts of controls, cost, price and opportunities to operate more cost efficiently, and to look for cost savings.

The Subcommittee received a Power Point Presentation from John Cheslik, General Manager of United Water Services.

Mr. Cheslik covered three areas:

Energy – Natural Gas

- Pre-1998 Purchase at Market
- Market Changes
- Price Increases
- Market Volatility leads to MMSD user charge instability
- Source of supply options broader require forward looking contracts for secure supply, balancing, and administration.

Energy – Natural Gas

- Options for Commodity
- Market based buying (MBB)
- MBB plus energy reserve fund – Advantages: rate stability. Disadvantages: further pressure on rates now.
- Future contracts or forward options – Advantages: rate stability, paid in future. Disadvantages: purchase price may be higher than market
- Pipeline supply options
- Monitor and be aware of options
- Proposed-based or MMSD supplied

Opportunity Areas for Review

- Competitive evaluation of other O&M Service areas
- Example: Lab, Research and Central Laboratory, Water Quality Research, Industrial Waste & Conveyance Monitoring (\$6.5 M including Capital charge-backs, 70 +/- FTE)
- Capital Program – Program Manager, improve operation focus to capital selection, design, execution and cost.
- Value Engineer review at Project level
- Process for smaller capital, repairs and replacements

Note: Power Point Presentation attached.

B. Questions & Answers

None

V. Adjourn

As there was no further business, the Subcommittee adjourned at approximately 11:35 a.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

***Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E, Mark Kaminski***

Monday, July 24, 2006

11:00 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

Commissioner White called the meeting to order at approximately 11:10 a.m.

RECORD ROLL

Present: Wallace White, Jeannette Bell, Robert C. Brunner, Pedro Colon, Ashanti Hamilton, Robert Scott, Kevin L. Shafer, P.E., Mark Kaminski, Mark Nicolini

Others in Attendance: Mike McCabe, Dennis Grzezinski

II Approval of Proceedings of June 26, 2006

A motion was made by Commissioner Brunner, seconded by Robert Scott, to approve the June 26, 2006 Subcommittee Proceedings.

The motion carried.

Commissioner White requested that staff prepare a binder of all Subcommittee Proceedings and distribute them to all of the Subcommittee members for future consideration in deliberations.

III MMSD Staff Report & Update

No Report

IV NEW BUSINESS**A. Presentations**

1. Tim Sheehy, President, Milwaukee Metropolitan Association of Commerce
2. Dale Olen, Great Waters Group – Sierra Club

Commissioner White gave a brief overview to Mr. Sheehy on what the Subcommittee is looking at, regarding the impact and processes to be used to address the future cost over the long run in meeting the goals of MMSD, improving water quality in Lake Michigan and the 2020 Plan. Commissioner White specifically requested information from Mr. Sheehy on what the MMAC's position is relative to water quality improvement, and the conditions and problems that we are facing today here in the Milwaukee Region.

The Subcommittee received a presentation from Mr. Tim Sheehy regarding the purpose, vision for the region, mission and commitment. Mr. Sheehy informed the Subcommittee that he was not appearing in front of the Subcommittee as an expert, but only to give information on the challenges. Mr. Sheehy informed the Subcommittee the general perception of the business community in terms of MMSD's future, is not at all different from the outlook that companies themselves have in their economic future, capital planning and investments that they are looking to make.

Mr. Sheehy also informed the Subcommittee that there are three business drivers: Innovation, Productivity and Cost. MMAC is looking through the eyes of those companies that are based here in Milwaukee, and who export most of their goods and services, which is the only way the region/business grows. These companies are generating new regional income by exporting their goods and services outside of the region allowing them to create new capital investments, new jobs and new business developments. The challenges that the District has comes down to the three drivers, innovation, productivity and cost.

Mr. Sheehy informed the Subcommittee that the relationship between the business community and the District over the last ten years has been good and has improved. This good relationship is due mainly through the good relationship that the United Water Services, the MMSD Commissioners, and Kevin L. Shafer, P.E., Executive Director, and his staff has with the business community. Mr. Sheehy stated that the MMSD has done a much better job at working with the business community as partners and as customers of the District.

Mr. Sheehy distributed a draft copy of a mission statement for the region, which is on file in the Office of the Commission.

Mr. Sheehy indicated to Subcommittee, looking back and looking at who our top 20 customers were in the past, and also looking at who our customers are today, you can see a dramatic change. The change is not only in who they are, but the change is in the revenue that flows to the District from those top 20 customers. The business community today is very much interested in understanding and working with the Commission in terms of cost.

Mr. Sheehy also informed the Subcommittee that the seven-county region has come together under "Milwaukee Seven" with the leadership of the business community, the Mayor, and a number of County Executives and Elected Officials, to create an Economic Positioning Strategy. Mr. Sheehy encouraged the District to continue to be involved with the Economic Position Strategy that is being put together for the region, and to also put together a thoughtful RFP that makes good sense in terms of how the District will operate cost effectively taking into consideration energy costs.

Mr. Sheehy will send a copy of the statistics and views that are being developed by the MMAC.

The Subcommittee received a presentation from Mr. Dale Olen, Chair of the Great Waters Group, Sierra Club. Mr. Olen read the District's Mission Statement into the record and indicated that after reading the Mission Statement, (which is a tremendous task) he determined that it is going to be almost impossible for the District to accomplish this mission alone. MMSD is only one part of the water picture in the District's watersheds.

Mr. Olen offered three approaches on how to accomplish the Districts' goals more cost effectively:

- 1) **Necessity** - Being one part of the water pollution picture, MMSDs' task is to efficiently run the collection and treatment facilities and to repair, maintain and improve its equipment and infrastructure.
2. **Cost Effective** - Increase monitoring and partnering and enforcement efforts in the industrial community.
- 3) **Cost Effective** – MMSD needs to put together a staff team/consulting team to pursue a water protection conservation program.

Mr. Olen indicated that the District needs to take resources and apply it to personnel and bring all players together and put together an enforceable water program. Also, put together a leadership team, managed by someone else, work with the business community and the 28 service communities and have them implement it in their regions. This program will be less costly. However, there does have to be created, a water resource authority to implement it.

Mr. Olen informed the Subcommittee that it is much cheaper to get others (business community) to do their part. This will prevent the District from creating more deep tunnels, buying more land for conservation and it will allow the District to focus on maintaining our own system.

Mr. Olen stated that by creating this program, it can also solve some of the public relations problems the District has.

C. Questions & Answers

Commissioner White asked Mr. Olen if he knew of any examples of other communities that are using the water protection and preservation program and which is the best?

Mr. Olen gave the following examples of where this program has been implemented:

- Atlanta
- Boston
- New York
- Chicago
- Ontario

Mr. Olen indicated, according to Ms. Amy Vickers, who has more insight on these programs, she has indicated that Boston and Ontario has the best program.

Commissioner White also asked Mr. Olen, is it more important that the District meet and comply with the state and federal standards, or improve water quality? Which is more important?

Mr. Olen indicated that it depended on the resources. The environmental community would like to see more water quality improvement.

Commissioner Bell asked Mr. Olen, how can the District solve some of the negative press and negative public relations problems the District has?

Mr. Olen responded that a program such as this would be a positive approach as far as the community is concerned. Also, conduct work sessions, get input from the communities.

Commissioner Brunner indicated that he didn't think the public relation problems are with the 28 communities.

VI. Adjourn

As there was no further business, the Subcommittee adjourned at approximately 12:15 p.m.

Gloria Tillman-Kemp
Staff Assistant



260 West Seeboth Street
Milwaukee, WI 53204

**Milwaukee Metropolitan Sewerage District
Meeting Proceedings
Commission Subcommittee for Future Financial Planning**

*Wallace White, Chair, Jeannette Bell, Robert C. Brunner,
Pedro Colon, Ashanti Hamilton, Mark Nicolini,
Robert Scott, Kevin L. Shafer, P.E, Mark Kaminski*

Monday, September 25, 2006

11:00 a.m.

MMSD Headquarters Building, Room 121

I CALL TO ORDER

Commissioner White called the meeting to order at approximately 12:00 Noon.

RECORD ROLL

Present: Wallace White, Jeannette Bell, Robert C. Brunner, Pedro Colon, Robert Scott, Michael Martin, Mark Kaminski, Mark Nicolini

Others in Attendance: Susan B. Anthony, Michael Martin

II Approval of Proceedings of July 24 Meeting Minutes

Not acted on.

III Review of Executive Summary

No Report

IV SUBCOMMITTEE MEMBER COMMENTS

Commissioner White thanked each Subcommittee member for their participation and read into the record the following statement, which is also on file in the Office of the Commission:

OVERVIEW OF THE PROBLEM

The MMSD wants, needs and requirements exceed the commitment to develop and deliver the resources necessary to satisfy those requirements, needs and wants.

We all agree that there is no surprise here because many organizations and units of government face the same situation. However, at MMSD there are some unique factors that we face in our current financing challenge – we have what Mark Kaminski refers to as the perfect storm. The simultaneous convergence of factors in the near future that will impact revenues and expenditures for many years into the future. We have the potential requirement to comply with more unfunded mandates from the regulatory agencies to include the outcomes of the 20/20 plan, the need for increased funding for contracted operations services including greater energy costs and the reduction of revenues due to decreased wasteloads from industrial users. At the same time, MMSD must continue to respond to the environmental community's desire for us to achieve zero discharge limits, a limit that exceeds our WDNR permit or the design parameters of the tunnel. How do we accomplish all this while revenues are constrained by citizens and businesses who want property taxes and user charge rates to be stabilized or held down? These are just some of the competing interests for MMSD's scarce over the next 20-25 years.

The Subcommittee has recognized the circumstances and has responded from two perspectives – broad questions for scenario planning consideration and specific actions that the Commission could take now that will tend to mitigate future financial impacts.

BROAD QUESTIONS FOR SCENARIO PLANNING

- How much do we have to do to satisfy the legal requirements – DNR, Federal, Court order – that have been placed on MMSD?
- To what extent might we avoid some costs and comply with the requirements?
- To what extent should we be challenging requirements that should be done by other units of government or perhaps not at all?
- To what extent should we develop and pursue alternative strategies or methods to accomplish goals?
- How do we or how should we – together as a state, region or service area – jointly agree on solutions and directions that will benefit everyone – both environmentally and financially?

CONCLUSION

These were some of the concerns that this Subcommittee has considered over the past several months in order to develop a recommended path forward. We will discuss the specific actions shortly and we will go into greater detail in our final report at the end of October.

Two final points on future financing solutions: First, in a nutshell, it seems that we must develop a comprehensive and inclusive process which will continue to identify and clarify the issues and the fiscal implications. The process should include MMSD Commission, staff and community with the goal of creating effective, flexible and long-term recommendations that the MMSD Commission can adopt. Second, we need to seek out persons that are committed to work in a positive, holistic, results-oriented manner to participate in this process.”

Commissioner White asked each Subcommittee member to give a brief comment. Final comments are due by October 6, 2006 for a final report, which will be forwarded and voted on at the full Commission meeting in October.

The Categories of Recommendation was distributed at the meeting, and is attached.

Mark Nicolini, Budget Director, City of Milwaukee, indicated that regarding number II, Review of Tunnel Operational Methods, with tunnel operational methods, we need to consider the impact of achieving water quality standards and public health. It may be practical to consider staging any new 2020 facilities to allow for some of these approaches, and for an amended 2020 Facilities Plan to be examined. At looking at the brief excerpt that was received from AMSNS direction towards SSO Policy, Mr. Nicolini is not sure that it is necessarily incompatible with the approach that Mr. Mielke outlined.

Mr. Nicolini further indicated that regarding number V, Procurement of Energy, we would want to contain the acceleration of energy cost, which is what the Commission is going to want to do in light of the next contract. We need to identify what the level of risk tolerance is going to be and how it will be dealt with.

Mark Kaminski, Acting Controller, suggested that on recommendation number VI, Operations Services Contracting Out, the initial words after that should be “if the contracting out option is selected”. This is a recommendation so that the readers will not think that this is a foregone conclusion, which it is not. Mr. Kaminski also suggested adding the

sentence, “the new contract to the extent possible”, needs to address recommendation number V, Procurement of Energy. Although we have energy at the remaining facilities, it is very minor to what we have at the plants. In terms of energy, we can work with a new contractor in their proposals as they address energy to allow us to protect ourselves against price, even though it we may not be able to protect ourselves against usage and the number of therms used. This is going to be a big component as we evaluate proposals.

Mark Nicolini concluded with final comments related to number VIII, 2020 Facilities Plan and Wastershed Management by giving the observation that the watershed approach was intended not to be an add on, but basically an overall approach to look at how to deal with the most cost-effective way to deal with pollution and water quality. It is important to keep that in mind.

Commissioner Brunner’s comments related to Design Build and cost implications **(inaudible)**. Commissioner Brunner suggested that we take a look at how we market and sell Milorganite. Commissioner Brunner also suggested that we look at how we can generate revenue from other governments.

Commissioner Bell indicated that she is concerned with the second sentence of item number IV, Adherence to Legal Mandate, “activities that we’re not required to do”. Some of the more popular things that we do are things that we are not required to do such as flood control and watercourse. Commissioner Bell would like to see language that reflects the protection of our facility. Commissioner Bell also indicated that regarding the 2020 language, the language needs to reflect that MMSD should not be fully responsible for the protection of the waterways.

Commissioner Colon suggested that the language in number IV, Adherence to Legal Mandate, include that we aggressively pursue policy standards and funding for all the things that MMSD is not required to do but are costing us a lot of money. We do not want to commit MMSD with any more spending that is not rationalized through some funding stream on a statewide basis of policy. We need to pursue a regional policy.

Mr. Robert Scott indicated that he took an outsider observer view and concluded that it is important to pursue a regional effort, and the efforts need to be doubled. We need customers outside of the MMSD boundaries. Mr. Scott suggested that we look at how we educate the public and the media so that they understand exactly what it is that MMSD does. There need to be discussions on how we will achieve these regional efforts, and who will pay for it. Mr. Scott further indicated that we

need to overcome the media image. There also needs to be a political effort which is where changes need to be made.

Mark Kaminski and Commissioner Bell suggested that we include language that would suggest that we keep our current industrial base and expand where possible.

Susan Anthony asked Commissioner White what the intent was of the last sentence in Recommendation number VIII. Commissioner White responded that in order to provide Commission oversight of the 2020 Plan implementation, the Commission would create a permanent panel to work with the staff. Ms. Anthony asked if it was recommended that such a panel would be created immediately or after the 2020 Plan had been approved. Commissioner White responded that decision would be up to the full Commission.

V. Recommendations and Next Steps

Commissioner Colon indicated that he would like the Subcommittee to explore the appointment of someone on the different committees such as AMSA, Milwaukee Seven and SEWRPC.

Susan Anthony, MMSD Senior Staff Attorney explained that the make-up of the Commission is statutorily defined, and all of the counties in the southeastern region have the same number of representatives and equal voting authority which is an issue. All of the counties have equal representation even though they don't contribute to the cost. Ms. Anthony further explained that with the 2020 Planning effort, there is a Memorandum of Understanding with the SEWRPC staff, so there is very close cooperation.

Mark Nicolini suggested that the County Executive appoint someone to the various committees.

A motion was made by Mark Nicolini and seconded by Mark Kaminski. After discussion by the Subcommittee members, the motion was approved that the full Commission seek to have a Commission member appointed to the SEWRPC Board as well as other regional bodies where their actions have an impact on MMSD.

Commissioner White stated that final comments from Subcommittee members should be submitted by October 6th. A final draft report for review would be submitted to the Subcommittee the week of October 16th. The last Subcommittee meeting for approval of the report would take place on October 30th before the full Commission meeting. The final

report will be presented to the full Commission at its' meeting on October 30th.

As there was no further business, the Subcommittee adjourned at approximately 12:40 p.m.

Gloria Tillman-Kemp
Staff Assistant