

AGREEMENT

BY AND BETWEEN PIKE'S BAY SANITARY DISTRICT AND THE CITY OF BAYFIELD

REGARDING THE CONNECTION OF THE BROWNSTONE LINE

THIS AGREEMENT is made and entered into by and between the Pike's Bay Sanitary District (the "District"), a sanitary district created pursuant to sec. 60.71, Wisconsin Statutes, P.O. Box 689, Bayfield, WI 54814, and the City of Bayfield (the "City"), a city created pursuant to Chapter 62, Wisconsin Statutes, 125 South First Street, Bayfield, WI 54814.

WHEREAS, the District and the City executed an agreement on March 26, 2004 (the "Intermunicipal Agreement") for the joint operation, through the Greater Bayfield Wastewater Treatment Plant Commission, of a sewage treatment plant known as the Greater Bayfield Wastewater Treatment Plant (the "Plant"); and

WHEREAS, it is in the mutual interest of the parties, their residents, taxpayers, and ratepayers, to provide municipal services with the greatest possible efficiency; and

WHEREAS, the Intermunicipal Agreement anticipates that sewerage from some properties that lie within the District can most efficiently be collected and conveyed to the Plant via sewer lines owned and operated by the City, and

WHEREAS, the Intermunicipal Agreement provides that such connections are vital to the Plant's fully achieving its intended purpose, and

WHEREAS, the Intermunicipal Agreement provides that the parties will negotiate diligently and in good faith to resolve the means by which such collection and conveyance shall occur, and

WHEREAS, the parties have determined that it will be mutually beneficial to transit sewerage from what is known as the Brownstone Line through City facilities to reach the Plant, and have reached agreement on the provisions related to such transit,

NOW, THEREFORE, in consideration of the mutual promises and conditions contained below, and pursuant to sec. 66.0301, Wisconsin Statutes, the parties agree as follows:

1. Definition of Brownstone Line. The Brownstone Line shall be that sewer line that runs under the Brownstone Trail in Sections 14, 22, and 23, T. 50 N, R.4 W, Town of Bayfield, Bayfield County, as more particularly described in Exhibit 1.

Brownstone Line Agreement
June 3, 2014



2. Quarterly wheeling fee and payment.

- A.** The District shall pay to the City a quarterly wheeling fee per Residential Equivalent Unit (REU) for each residential user connected to the Brownstone Line, provided as follows:

(1) The wheeling fee shall be calculated as set forth by formula in Exhibit 2 ("Pike's Bay Sanitary District Wheeling Formula"), and as illustrated in the attached Exhibit 3 ("Pike's Bay Sanitary District Wheeling Fee Calculations"). An annual revision to the rate will be calculated based upon the City's audited expenses. The City will provide the District a copy of its annual expense audit. The District is responsible for annually providing the City with the new rate at the District's expense which is based on the audited expenses prior to December 31st and which will be verified by a Wisconsin Certified CPA.

(2) The current monthly wheeling fee is \$19.93. The \$19.93 fee shall be in effect from the time of commencement of use of the Brownstone line (November 1, 2011) until approval of this agreement between the City and the District. As of January 1, 2014, that total fee is \$518.18. At the time of approval of this agreement the monthly wheeling fee will be calculated on the basis of the audited expenses of the City for the preceding calendar year and be in effect from the date of signing to the end of the calendar year in which the agreement is signed.

(3) The District shall be responsible for the purchase, installation, and maintenance of a water meter capable of wireless telemetry as specified by the City. The meter shall measure any water that is used and may end up in the sanitary sewer system. The Bayfield Utility will read the meter(s) monthly on the Brownstone Line. The City Utility will be reimbursed at .25 hours for the first meter and .15 hours for each additional meter. The hourly rate will be at the Utility Operator's loaded hourly rate as established on January 1st of each year. If additional readings are desired by PBSB, they will be furnished at the above rate. PBSB can opt out of the meter reading service from the City Utility at their discretion and upon notification of no less than one month.

(4) The District shall pay to the City the wheeling fee after the meter reading based on the REU generated from the reading. Payment to the City shall include a detailed description of charges per user including meter readings and REU calculations.

(5) An REU is calculated at 120 gallons per day, or 43,800 gallons per year. A quarterly REU shall be calculated as $43,800 \div 4$, or 0 to 10,950 gallons. A quarterly two REU's shall be calculated as 10,951 to 21,900 gallons. A quarterly three REU's shall be calculated as 21,901 to 32,850 gallons. A quarterly four REU's shall be calculated as 32,851 to 43,800 gallons and so on in increments of 10,950 gallons per additional REU.

- 3. Processing fee and payment (prior to agreement being signed).** The District shall pay to the City at the time of signing of this agreement a processing fee calculated as the total consumption by the initial user of the Brownstone Line times the average processing fee of the GBWWTP for 2012 (\$0.00624/gallon). As of January 1, 2014, that total fee is \$449.69. This fee

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is to cover the City's fee of processing the Brownstone flow from the time the PBSO user went on line until December 31, 2013.

4. Processing fee and payment (after agreement signed). After the signing of this agreement, the Bayfield Utility will:

A Provide the GBWWTP Operator with the flows beginning on January 1, 2014 to present. The GPWWTP Operator will subtract these flows from the Bayfield Flow and add them to the PBSO flow, as a one-time catch-up for the year.

B After, the Bayfield Utility will begin reading the meter(s) monthly on the Brownstone line and will report the amount to the GBWWTP Operator. As specified in the intermunicipal agreement [ref:7(a)], the metered flow from the Brownstone Line shall be subtracted from the City's total monthly flow and added to the PBSO total monthly flow.

The flow readings and net flows after the transfer of the Brownstone flow shall be recorded monthly on a form as depicted in Exhibit 4. The recording methodology can be modified by mutual agreement at any point during the term of this agreement.

5. New User fee. The District shall pay the City a New User fee of \$2,500 for connection of the Brownstone Line. The number of new users to this line shall not be limited as long as the City's infrastructure has the capability to handle such flow. Should the City's sewer infrastructure be exceeded by the Brownstone Line connections, the existing infrastructure clauses of the Intermunicipal Agreement [paragraph 9(c)] shall be utilized. If a non-residential user (such as commercial or industrial) seeks to connect to this line, the City and the District will negotiate an appropriate fee.

6. Notifications of connections. The District will notify the City 60 days prior to whenever a user connects to the Brownstone Line or disconnects from the Brownstone Line.

7.. Term of Agreement. This agreement shall be in effect for 20 years.

Dated this 15th day of July, 2014.

PIKE'S BAY SANITARY DISTRICT

By: [Signature]

Rex Dowling, President

Attest: [Signature]

Kathy Bergner, Secretary-Treasurer

CITY OF BAYFIELD

By: [Signature]

Larry MacDonald, Mayor

Attest: [Signature]

Billie L. Hoopman, Clerk

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PIKE'S BAY SANITARY DISTRICT

Description - Brownstone Line

The Brownstone Line is an eight inch (8") diameter plastic gravity sanitary sewer line which is connected to the Bayfield City sanitary sewer system at a City manhole behind the Seagull Motel on the Railroad Right of Way (RRROW) and the Brownstone Hiking Trail.

The City manhole is located on parcel #04-006-2-50-04-14-4-05-002-14100 at the approximate location of N46°48.373' W090°49.381'.

The Brownstone Line then runs southwest under the RRROW/Brownstone Trail for about 1200 ft. through a series of manholes at the approximate locations of:

N46-48°354' W090°49.420'

N46-48°314' W090°49.477'

N46-48°272' W090°49.536'

The Brownstone Line ends at a manhole at the northeast edge of parcel 04-006-2-50-04-14-4-05002-11100 located at approximately N46°48.251' W090°49.562'.



PIKE'S BAY SANITARY DISTRICT

Wheeling Formula

Transit of PBSB sewage from Brownstone Trail Line through City of Bayfield's Lakeshore Sewer Line and City Pumping Station

The monthly "formula fee" as provided in paragraph 2 of the Agreement shall be calculated as follows:

$$\text{Monthly formula fee per residence} = (D+E+O\&M) \div 12$$

Where:

$$D \text{ (annual depreciation contribution)} = \text{LSLD} + \text{PSD}$$

Where

$$\text{LSLD (annual Lakeshore Line depreciation contribution)} =$$

$$\frac{\text{Cost of Lakeshore Line}}{40} \times \frac{\text{Annual single residence usage (gallons)}}{\text{Annual total Lakeshore Line flow (gallons)}}$$

and

Where

$$\text{PSD (annual Pumping Station depreciation contribution)} =$$

$$\frac{\text{Cost of Pumping Station}}{40} \times \frac{\text{Annual single residence usage (gallons)}}{\text{Annual total Pumping Station flow (gallons)}}$$

and

$$E \text{ (annual electricity contribution)} =$$

$$\frac{\text{Annual electric costs for Pumping Station}}{\text{Annual total Pumping Station flow (gallons)}} \times \frac{\text{Annual single residence usage (gallons)}}{\text{Annual total Pumping Station flow (gallons)}}$$

and

$$O\&M \text{ (annual operations and maintenance contribution)} =$$

$$\text{Flow-allocated expenses}^1 \times \frac{\text{Annual total Lakeshore Line flow}}{\text{Annual total City flow}} \times \frac{\text{Annual single residence usage}}{\text{Annual total Lakeshore Line flow}}$$

+

$$\text{Account-allocated expenses}^2 \times \frac{1}{\text{Total number of City sewer service accounts}}$$

¹ See page 3 of Exhibit 1

² See page 3 of Exhibit 1



PIKE'S BAY SANITARY DISTRICT

Wheeling fee calculations: Transit of PBSB sewage from Brownstone Trail Line through City of Bayfield's Lakeshore Sewer Line and City Pumping Station

Facts

Total length of City Sewer Lines:	51,251 feet ¹
Length of City's Lakeshore Sewer Line:	1,313 feet ²
Lakeshore Line as fraction of total City lines:	.026
Cost of Lakeshore Line:	\$225,000 ³
Cost of Pumping Station:	502,500 ⁴
Total gallons processed by GBWWTP 2009:	36,918,000 ⁵
Total processing costs:	\$163,789 ⁶
Cost per gallon:	\$.004/gal
Total gallons from City processed 2009:	35,297,000 ⁷
Fraction of total City flow that flows through Lakeshore Line:	.25 ⁸
Total City gallons x .25:	8,824,250
Electric costs Pumping Station 2009:	\$8,021 ⁹
Residential Equivalent Unit (REU):	120 gal/day ¹⁰
Annual gallons used per residence:	43,800 gallons
Total number of City sewer service accounts:	448

¹ Tom Kovachevich (City Public Works Director) communication to George Hansen based on Strand Engineering data.

² Same.

³ Strand Engineering.

⁴ Same.

⁵ Joel Weber (GBWWTP operator) communication to George Hansen.

⁶ Same.

⁷ Same.

⁸ See Note 1.

⁹ Linda Goodlet (Bayfield City Treasurer).

¹⁰ Lund Engineering.



Calculation of depreciation contribution per residence

Depreciation contribution for Lakeshore Sewer Line

Cost of Lakeshore Line:	\$225,000
Annual depreciation (40 year straight-line) for Lakeshore Line	\$ 5,625
Single residence use (43,800 gals) as fraction of total line use (8,824,250 gals):	.00496
Annual depreciation x .005:	\$ 27.90

Depreciation contribution for Pumping Station

Cost of Pumping Station:	\$502,500
Annual depreciation (40 year straight-line) for Pumping Station:	12,563
Gallons from City processed through Station 2009:	35,297,000
Single residence use (43,800 gals) as fraction of total Pumping Station use (35,297,000gals)	.00124
Annual depreciation x .001:	\$ 15.58

Depreciation summary

Annual depreciation contribution for Lakeshore Line	\$27.90
Annual depreciation contribution for Pumping Station	15.58
TOTAL ANNUAL DEPRECIATION CONTRIBUTION	\$43.48

Calculation of electricity cost contribution per residence¹¹

Electric costs Pumping Station 2009:	\$8,021
Annual gallons used per residence:	43,000 gallons
Gallons from City processed through Station 2009:	35,297,000
Single residence use (43,800 gals) as fraction of total Pumping Station use (35,297,000gals):	.001
Total electric cost ((\$8,021) x .001:	\$9.95
TOTAL ANNUAL ELECTRICITY CONTRIBUTION	\$9.95

¹¹ Electricity cost allocation is calculated separately from other O&M costs since it is based only on relative usage of the pumping station and other expenses are calculated based on relative usage of the Lakeshore Line. Since the ratio of PBSD use to total use is higher when looking only at the Lakeshore Line than when looking at the pumping station, assigning other O&M costs based on the Lakeshore Line usage benefits the City. The usage ratio for the Pumping Station is used for electricity allocation since electricity is only used at the Pumping Station and not on the Line.

Calculation of operation/maintenance contribution per residence

Allocate the following expenses based on flow¹²:

Operating salaries	\$62,403 ¹³
Supplies	4,250
Transportation	2,500
Insurance	4,582
Operating employee benefits	16,097 ¹⁴
Taxes	5,850
Repairs	1,820
Other	2,808

TOTAL	\$100,310
Fraction of total City flow passing through Lakeshore Line	.25
Single residence use (43,800 gals) as fraction of total line use (8,824,250 gals):	.00496
Total expenses (\$100,310) x .25 x .005	\$ 124.38

Allocate the following expenses based on number of accounts¹⁵:

Administration salaries	\$16,918
Office supplies	3,183
Outside services	2,782
Administration employee benefits	4,635 ¹⁶

TOTAL	\$27,518
Total number of City sewer service accounts:	448
Additional account for PBSO	1
PBSD account as fraction of total accounts	.00223
Total expenses (\$27,518) x .002	\$61.37

Operation/Maintenance summary

Annual O&M contribution for flow-allocated expenses	\$124.38
Annual O&M contribution for account-allocated expenses	61.37

¹² Per Scott Harder report 1/28/2010.

¹³ City of Bayfield Sewer Utility Audit 2009 p. 45. All operating costs are derived from this source.

¹⁴ Total employee benefits shown in audit report (\$21,731) have been allocated to operations and administration in proportion to the salaries shown for each item.

¹⁵ See Note 11.

¹⁶ See Note 13.



TOTAL ANNUAL O/M CONTRIBUTION
SUMMARY OF ANNUAL CONTRIBUTIONS

\$185.75

Depreciation	\$ 43.48
Electricity	9.95
Operations/Maintenance	185.75
ANNUAL TOTAL	\$239.18
MONTHLY TOTAL	\$ 19.93

Note: This is the contribution to be made by PBSB for the first home to connect to the Brownstone Trail Line. PBSB's annual contribution for subsequent homes will be \$61.37 less as that amount is for administrative expenses and is an account-based allocation. The addition of subsequent homes to the line will not increase the number of City accounts.



EXHIBIT 4 - Revised Version

Brownstone Flow Transfer

Example

Date	Bayfield Flow Gallons	Brownstone Flow Gallons	Net Bayfield Flow Gallons	PBSD Flow Gallons	Brownstone Flow Gallons	Net PBSB Flow Gallons
1/1/2014	125,000		125,000			
2/1/2014	125,000		125,000			
3/1/2014	125,000		125,000			
4/1/2014	125,000		125,000			
5/1/2014	150,000		150,000			
6/1/2014	150,000		150,000			
7/1/2014	200,000	18,900	181,100	30,000	18,900	48,900
8/1/2014	200,000	2,700	197,300	30,000	2,700	32,700
9/1/2014	200,000	2,700	197,300	30,000	2,700	32,700
10/1/2014	200,000	2,700	197,300	20,000	2,700	22,700
11/1/2014	150,000	2,700	147,300	20,000	2,700	22,700
12/1/2014	150,000	2,700	147,300	20,000	2,700	22,700

NOTES:

- 1) Bayfield flow is the metered flow value from the Bayfield Lift Station.
- 2) Brownstone flow is the sum of the flow from the meters of the Brownstone Line customers.

