

Governor's Dry Cleaner Council
Meeting Notes
345 W. Washington St., Madison
November 19, 2007
10:00 a.m. – 1:00 p.m.

Attending:

Governor's Council

Rich Klinke, Chair
Jim Fitzgerald
Bret Donaldson
Jill Fitzgerald
Jeanne Tarvin

DNR

Terry Evanson
Jillian Steffes

WI Fabricare Institute

Brian Swingle

Reinhart-Boerner

Don Gallo (by phone)

Guests

Larry Niemi, President, Niemi
Associates
Bill Fazio, Niemi Associates

Introductions and Welcome Jillian Steffes

Jillian Steffes is the new DERF auditor in the Bureau of Community Financial Assistance. Larry Niemi and Bill Fazio are with Niemi Associates, Inc.

Fund Update – Jillian

Jillian gave a fund update, including a summary of past and current revenues; revenue projections for FY08; estimated funds available for reimbursement through the end of FY08; claims pending payment; and long-term projected demand on DERF. (The spread sheets are attached to these notes.)

The 1st quarter revenue for FY08 is just a little less than 1st quarter FY07. FY07 revenues lagged FY06 by 15%. Overall, dry cleaning revenues are trending down. Even with the recently approved increase in license fees, a significant revenue increase is not expected. The State's spending authority is \$1.05 million (which will increase to \$1.5 million in FY09). However actual revenue from the dry cleaners determines how much can be reimbursed. In FY08, approximately \$407,000 remains in projected revenues to pay claims. Currently, Jillian is projecting that claims filed early in July 2007 will be paid by July 2008. As more claims are made, the lag time between claim submission and claim payment will increase. Claims have already been made for a significant portion of FY09 revenues. Jillian is maintaining a list of pending reimbursement claims on the DNR web site (<http://dnr.wi.gov/org/aw/rr/financial/dryclean/pending-claims.pdf>) so that consultants and eligible applicants can see where their claims are in the payment queue. This page is updated monthly.

The projected demand on DERF relies on numbers gathered from consultants and DNR project managers in February 2007. Due to the delay in reimbursements, we believe the peak demand will not be as high as projected. That is, the table shows \$6 million demand for FY08; actual demand is likely to be \$3 - \$4 million. However, demand for reimbursement will likely be drawn out for a longer period of time than indicated in the table. The estimated demand on the program is approximately \$21 million over the next 10 years. Council members believe the actual demand

may be somewhat less; however, these are the best numbers we currently have for projecting costs to the program.

The Council discussed State-lead cleanups at dry cleaning facilities and their place in the payment queue. The State has authority under ss, 292.65, Stats., to recover Environmental Fund money from DERF. However, the DNR has decided to place the State reimbursement claims last in line and give preference to reimbursing dry cleaners.

Private Funding Options – Larry Niemi and Bill Fazio of Niemi Associates

Niemi Associates are insurance underwriters. Bill Fazio presented three possible insurance tools that may be applicable to DERF. They are:

1. **Commutation Account.** This is a type of escrow and is used on a site-specific basis; it includes a stop-loss insurance provision. It is most often used by companies to pay for with long-term environmental cleanup while also removing environmental liabilities from their books. This is not applicable to DERF.
2. **Non-Qualified Annuity.** This policy requires an upfront cash payment. In exchange the insurance company guarantees a payment string for a specific period of time (e.g., 20 years). The State can be named beneficiary of the policy. Even if this type of policy couldn't pay all the costs to DERF, it may be able to pay a portion. How much money could be generated is based in the upfront investment and negotiations with the insurance company. The initial upfront payment would most likely need to be borrowed. It's highly unlikely that the State would borrow money and then turn the money over to a private investment to generate a revenue stream.
3. **Trust.** This also requires a lump sum payment of money. The insurance company holds the money and makes payouts over time. As opposed to the non-qualified annuity, the trust does not guarantee payments or return on investment. Because of this, the investment vehicles are usually more cautious. Also, there is a legal separation of ownership and financial benefit. Annual management fees are also assessed.

The Council has neither spending authority nor access to any funds. These types of investments would require authorization by the legislature and the State won't put bonding money into private investments to generate a revenue stream.

Other Funding Options

There is no money available from PECFA for help in funding DERF.

NatLUST, another private funding organization, is interested in helping fund DERF, but it will take at least a year for NatLUST to be prepared to do this. NatLUST deals primarily with private owners, not the State.

The Council agreed that State revenue bonds are the most likely alternative to address the revenue shortfall in DERF. If \$8.5 million is borrowed in bonding, the yearly interest will be about \$700,000. This means that State administrative costs and interest will use up almost the entire annual revenue stream for the next 20 years. The State would sell bonds according to program needs; the State pays 5 – 6% interest. The Council believes there would not be an impact on state tax payers because the bonds would be completely paid out of dry cleaner fees.

The Council wants a "Phase 2" of DERF, which would allow dry cleaners to enter the program after August 30, 2008. However, the financial situation needs to be stable for this to occur. If the

demand on DERF is less than the \$8.5 million bonded, than it may be easier to move forward with a "Phase 2" program.

Future Actions

Wisconsin Fabricare and the Governor's Dry Cleaner Council will:

1. Meet with Secretary Frank, DNR, to discuss DERF funding issues.
2. Meet with the Governor's staff to discuss bonding legislation.
3. Will talk to members in the legislature about the need for bonding.

The Council is eager that the benefits of DERF be stressed, particularly that DERF benefits the environment; it saves small business from possible bankruptcy; and dry cleaners are proactively addressing contamination issues.

Attachments:

Agenda, November 19, 2007

Dry Cleaner Environmental Response Program Revenues (as of 10/31/2007)

Projected FY08 Revenues to DERF

Summary of Funds available for Reimbursements in FY08

Pending DERF Reimbursement Claims, as of 10/31/2007

Projected Future Demand on DERF, as of 2/2007

Governor's Dry Cleaner Council Meeting

345 W. Washington Ave., Madison

Monday, November 19, 2007

Room 121, 10 am - 2 p.m.

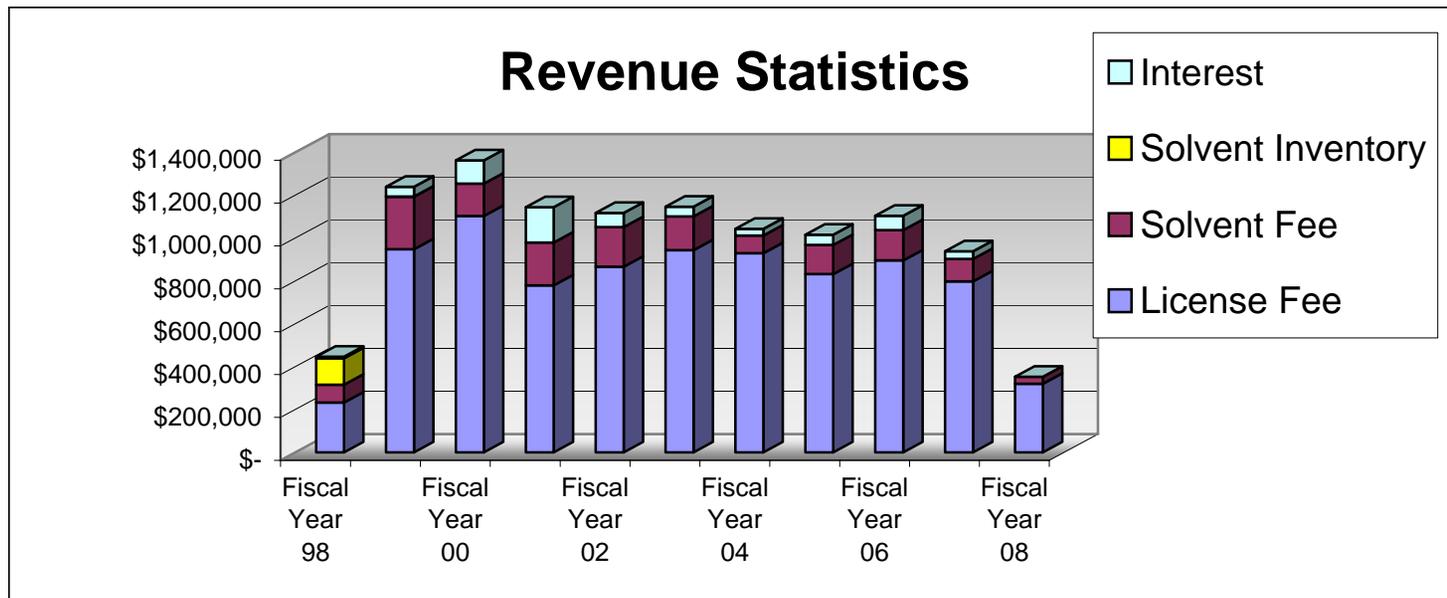
Agenda

- 10 a.m. Welcome & Introductions of Guests
- 10:05 Review of the current financial situation of DERF - Jillian & Terry
- 10:35 Discussion of the recently enacted State Budget - All
- 10:45 Private funding DERF options - Bill Fazio & Larry Neimi of Neimi Associates
- 11:45 Discussion of Licensing and Revenue issues - DOR (invited)
- Noon Box Lunch & Continuing Discussion of Revenue Issues and Future Direction of DERF
- 1 pm. Senator Mark Miller (invited) and Beth Bier (invited) to discuss DERF funding issues with Council members

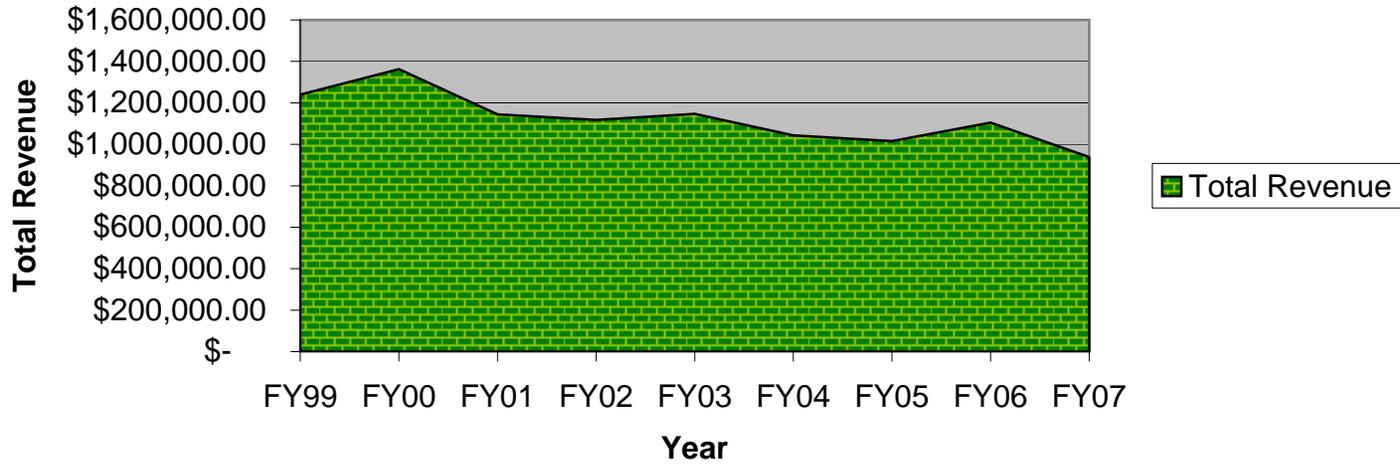
Dry Cleaner Environmental Response Program

Actual Revenues to date (Oct 31, 2007)

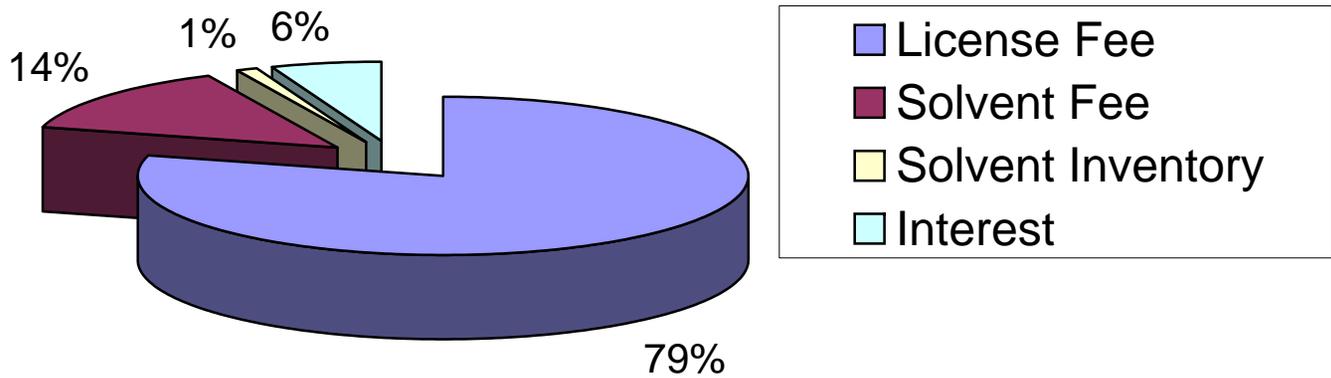
	License Fee	Solvent Fee	Solvent Inventory	Interest	Total	% Change from Prev Yr
Fiscal Year 98	\$ 232,604.00	\$ 83,439.00	\$ 123,022.00	\$ 7,820.00	\$ 446,885.00	
Fiscal Year 99	\$ 947,993.00	\$ 245,562.00	\$ 223.00	\$ 45,673.00	\$ 1,239,451.00	
Fiscal Year 00	\$ 1,103,692.92	\$ 150,367.91		\$ 108,474.35	\$ 1,362,535.18	10%
Fiscal Year 01	\$ 779,359.84	\$ 200,121.06		\$ 164,828.80	\$ 1,144,309.70	-16%
Fiscal Year 02	\$ 866,676.48	\$ 185,037.25		\$ 65,793.50	\$ 1,117,507.23	-2%
Fiscal Year 03	\$ 943,767.54	\$ 157,192.25		\$ 45,659.27	\$ 1,146,619.06	3%
Fiscal Year 04	\$ 929,318.15	\$ 82,604.42		\$ 31,220.80	\$ 1,043,143.37	-9%
Fiscal Year 05	\$ 831,851.01	\$ 135,993.87		\$ 47,608.33	\$ 1,015,453.21	-3%
Fiscal Year 06	\$ 895,732.97	\$ 141,549.78		\$ 67,153.02	\$ 1,104,435.77	9%
Fiscal Year 07	\$ 798,116.32	\$ 104,620.95		\$ 35,607.17	\$ 938,344.44	-15%
Fiscal Year 08	\$ 320,203.33	\$ 32,904.96		\$ 216.05	\$ 353,324.34	N/A
Total to date	\$ 8,649,315.56	\$ 1,519,393.45	\$ 123,245.00	\$ 620,054.29	\$ 10,912,008.30	



Total Program Revenue



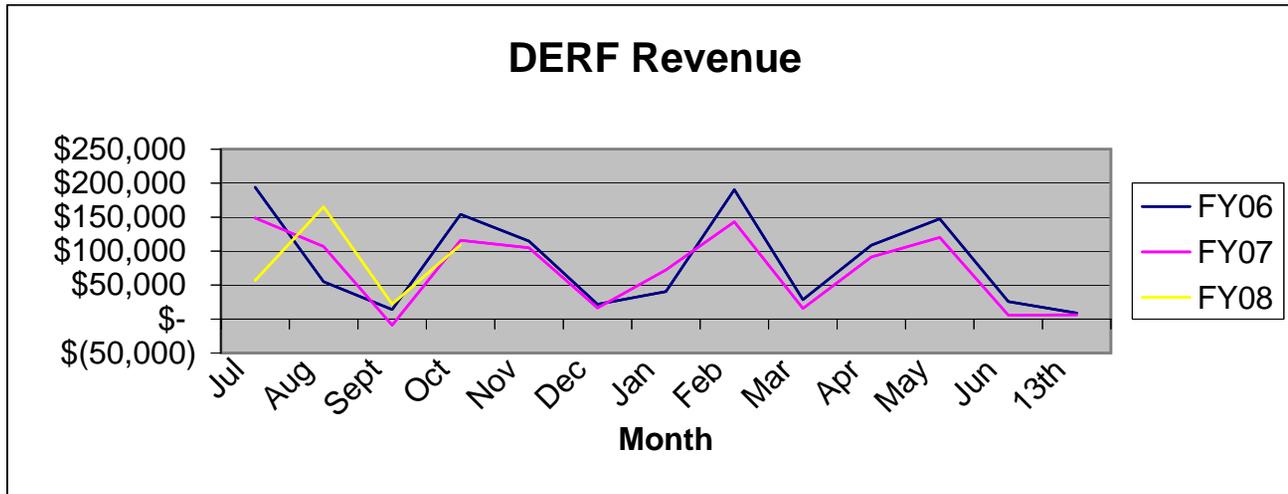
% DERF Revenue per Funding Source



Dry Cleaner Environmental Response Fund Revenue

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	13th
FY06	\$ 194,015	\$ 55,006	\$ 14,050	\$ 154,236	\$ 114,730	\$ 21,789	\$ 40,558	\$ 190,562	\$ 28,543	\$ 108,732	\$ 147,583	\$ 25,740	\$ 8,779
FY07	\$ 148,737	\$ 106,803	\$ (9,053)	\$ 115,852	\$ 104,947	\$ 16,343	\$ 72,258	\$ 143,032	\$ 15,735	\$ 91,286	\$ 120,232	\$ 5,753	\$ 6,359
FY08	\$ 56,941	\$ 165,047	\$ 21,884	\$ 109,452									
FY08 Estimates *						<i>\$ 105,000</i>	<i>\$ 16,300</i>	<i>\$ 72,200</i>	<i>\$ 143,000</i>	<i>\$ 15,700</i>	<i>\$ 151,300</i>	<i>\$ 180,200</i>	<i>\$ 5,700</i> <i>\$ 6,300</i>

* FY08 estimates values in purple/italics, using approx FY07 figures (1.8% tax). Estimated addn \$120,000 expected in 4th Q due to increase in tax to 2.8%, and reflected in April and June figures.

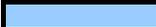


	1st Qtr (Jul-Sept)	2nd Qtr (Oct-Dec)	3rd Qtr (Jan-Mar)	4th Qtr (Apr-Jun)	Deposits
FY06	\$ 263,070	\$ 290,755	\$ 259,663	\$ 290,834	
FY07	\$ 246,487	\$ 237,142	\$ 231,025	\$ 223,630	
FY08	\$ 243,873				

DERF PROGRAM REIMBURSEMENT CLAIMS - PENDING AUDIT/PAYMENT
(Current Costs Category)

Queue **	Project No.	R'cvd Date **	Region	Project Manager	Applicant	Type of Applic	Requested Reimburse.	Site Risk Classification	Deductible	Est payment	Date Audit letter sent	Status
PENDING CURRENT COST APPLICATIONS (as of Oct 31, 2007)												
1	DC-209	05/02/2007	SER	Pam Mylotta	former Valet Cleaners (Taxman)	SI 1	\$ 79,435.28		(\$10,000.00)	\$ 69,435.28		Review In Progress
2	DC-212	06/08/2007	SCR	Denise Nettesheim	Robinson Cleaners, 4th. St., Beloit	SI F	\$ 19,963.24	medium risk	DC-136	\$ 19,963.24	09/21/2007	Pending Payment
3	DC-222	06/14/2007	SER	Pam Mylotta	Launderama in Hales Corners	SI 1	\$ 17,509.72		(\$10,000.00)	\$ 7,509.72		Review In Progress
4	DC-214	06/21/2007	NER	Kristin DuFresne	former EconoCare Cleaners	SI 2	\$ 36,542.16	high risk	DC-180	\$ 36,542.16	10/05/2007	Pending Payment
5	DC-215	06/26/2007	WCR	Doug Joseph	Jolivette Cleaners & Laundry La Crosse	SI 1	\$ 43,853.71	?	(\$10,000.00)	\$ 33,853.71		Review In Progress
6	DC-216 th	06/28/2007	NER	Annette Weissbach	Cool City Cleaners	RA 2	\$ 15,636.12	low	DC-067	\$ 15,636.12	10/03/2007	Pending Payment
7	DC-217	06/29/2007	WCR	Gina Keenan	One Hour Cleaners La Crosse St LaCrosse (RA 3	\$ 9,381.30	high risk	DC-054	\$ 9,381.30		Review In Progress
8	DC-219	06/29/2007	WCR	Dave Rozeboom	One Hour Cleaners Jackson St La Crosse (Dr	RA	\$ 9,956.25	low risk	DC-089	\$ 9,956.25		Review In Progress
9	DC-223 th	06/29/2007	SER	Pam Mylotta	(GETZ) Valet Cleaners in West Allis	RA	\$ 18,676.65	medium risk	(\$1,494.13)	\$ 17,182.52	10/01/2007	Pending Payment
10	DC-218	07/02/2007	WCR	Gina Keenan	Boulevard Cleaners	RA	\$ 28,920.25	high risk	(\$2,313.62)	\$ 26,606.63		Review In Progress
11	DC-220	07/06/2007	SER	Binyoti Amungwafo	Decorah Shopping Center	RA	\$ 72,278.98	high risk	(\$5,782.32)	\$ 66,496.66		Review In Progress
12	DC-221 p	07/10/2007	SER	John Hnat	OHM on Oakland in Shorewood	SI 1	\$ 42,524.95		(\$10,000.00)	\$ 32,524.95		Review In Progress
13	DC-230	07/28/2007	SER	Dave Volkert	Safer DC (East) Triangle Plaza	RA	\$ 11,730.00	high risk	(\$938.40)	\$ 10,791.60		Review In Progress
14	DC-231	07/28/2007	SER	Dave Volkert	Safer DC (West) Triangle Plaza	RA	\$ 3,910.00	medium risk	DC-085	\$ 3,910.00		Review In Progress
15	DC-224	07/30/2007	SCR	Denise Nettesheim	Robinson's Cleaners on Lexington Ave, Janes	SI	\$ 21,797.85	low	(\$10,000.00)	\$ 11,797.85		Review In Progress
16	DC-225	08/07/2007	SCR	Denise Nettesheim	Robinson's Cleaners on Lexington Ave, Janes	RA	\$ 26,793.14	low	DC-224	\$ 26,793.14		Review In Progress
17	DC-226	08/15/2007	SCR	Denise Nettesheim	Beaver Cleaners	SI 2	\$ 16,700.75	medium	DC-115	\$ 16,700.75	11/06/2007	Pending Payment
18	DC-243	08/21/2007	SCR	Mike Schmoller	Klinke Cleaners - East Wash	SI F	\$ 51,381.17	low	(\$10,000.00)	\$ 41,381.17	11/06/2007	Pending Payment
19	DC-242	08/27/2007	SER	John Feeney	OHM Thiensville (OHM of Butler Inc.)	RA F	\$ 14,144.85	low	(\$1,131.59)	\$ 13,013.26	11/06/2007	Pending Payment
20	DC-227	08/31/2007	SER	Jim Delwiche	Jill's Dry Cleaners	SI 1	\$ 28,408.50		(\$10,000.00)	\$ 18,408.50		Review In Progress
21	DC-228	08/31/2007	SER	Nancy Ryan	former Dutch Cleaners, Cedar Grove	SI 2	\$ 17,362.70	medium	DC-119	\$ 17,362.70		Review In Progress
22	DC-229	09/05/2007	NER	Kristin DuFresne	Bay Towel	RA 5	\$ 29,697.22	low	(\$2,375.78)	\$ 27,321.44		Review In Progress
23	DC-232	09/07/2007	SER	Andy Boettcher	former Packard Way Cleaners	SI 1	\$ 40,453.75	?	(\$10,000.00)	\$ 30,453.75		Review In Progress
24	DC-233	09/11/2007	NER	Jennifer Borski	Barb & Ron's Cleaners	RA 6	\$ 17,328.00	medium risk	(\$1,386.24)	\$ 15,941.76		Review In Progress
25	DC-234	09/13/2007	WCR	Dave Rozeboom	Butz Cleaners and Laundry	SI 2	\$ 28,928.05	high risk	DC-149	\$ 28,928.05		Review In Progress
26	DC-235	09/14/2007	SCR	Hank Kuehling	Reedsburg Cleaners	SI 4 (??)	\$ 11,009.04	low	DC-032	\$ 11,009.04		Review In Progress
27	DC-236	09/19/2007	NER	Jennie Easterly	Busy Bea's Dry Cleaners	RA	\$ 30,544.79	low	DC-137	\$ 30,544.79		Review In Progress
28	DC-237	09/20/2007	SER	Dave Volkert	West Brook Shopping Center / Fabricare of Waukesha, E		\$ 31,154.82	low	DC-157	\$ 31,154.82		Review In Progress
29	DC-238	09/27/2007	WCR	Tom Hvizdak	5 Corners Laundry	RA 4	\$ 12,660.30	high risk	(\$1,012.82)	\$ 11,647.48		Review In Progress
30	DC-240	10/10/2007	NER	Kristin DuFresne	former Holiday Cleaners, Controller, Inc.	RA 2	\$ 43,527.64	high risk	DC-107	\$ 43,527.64		Review In Progress
31	DC-241	10/22/2007	SER	Brenda Boyce	former Colonial Cleaners 910 Elm Grove Rd E	RA/SI	\$ 40,309.50	high risk	(\$3,224.76)	\$ 37,084.74		Review In Progress
	DC-200	03/05/2007	NER	Jennie Easterly	Georgetown Cleaners	Interim Ac	\$ 110,000.00	medium risk	(\$10,000.00)	\$ 100,000.00		Deferred, 1st in FY09
	DC-239	N/A	SER	Mark Drews	Lakeside Cleaners		\$ 9,447.48		(\$10,000.00)	\$ -		Review In Progress
	DC-181 h	State Lead	NER	Kathy Sylvester	Shilobrit's Cleaners - Oshkosh (check DCP-015)		\$ 107,516.00	medium risk	(\$10,000.00)	\$ 97,516.00		Deferred
	DC-189 h	State Lead	NER	Kevin McKnight	Shilobrits - Neenah (DCP-002)		\$ 92,490.77	medium risk	(\$9,627.00)	\$ 82,863.77		Deferred
TOTAL							\$ 1,191,974.93		(\$42,851.76)	\$ 1,053,240.79		

** **Received Date** is the date a complete reimbursement application is received by the DNR Project Manager. Applications still under review at the regional project manager's office may not yet be recorded on this report. An application is put in the payment queue according to the date it is received at the Regional office.

 **Est Pay Date = Before July 1, 2008**
 **Est Pay Date = After July 1, 2008**

Estimates for payment date are based on projections of revenue from dry cleaner fees, for the state fiscal year ending June 30, 2008. Actual payment dates/amounts will be based on actual revenue. As revenue comes in, payments will be sent out.

(DRAFT) Projected Demand on DERF

		Dry Cleaner License = 1.80%		Dry Cleaner License = 2.80%	
		Est. Revenue	Closing Balance **	Est. Revenue	Closing Balance **
	total projected requests		\$ 2,026,537		\$ 2,026,537.00
* FY06	\$ 1,715,114	\$ 1,104,436	\$ 1,166,009	\$ 1,104,436	\$ 1,166,009
* FY07	\$ 1,934,885	\$ 938,344	\$ (112,405)	\$ 938,344	\$ (112,405)
FY08	\$ 6,376,429	\$ 1,000,000	\$ (5,788,834)	\$ 1,232,500	\$ (5,556,334)
FY09	\$ 5,513,412	\$ 1,000,000	\$ (10,602,246)	\$ 1,565,000	\$ (9,804,746)
FY10	\$ 3,633,824	\$ 1,000,000	\$ (13,536,070)	\$ 1,565,000	\$ (12,173,570)
FY11	\$ 2,299,637	\$ 1,000,000	\$ (15,135,707)	\$ 1,565,000	\$ (13,208,207)
FY12	\$ 1,608,472	\$ 1,000,000	\$ (16,044,179)	\$ 1,565,000	\$ (13,551,679)
FY13	\$ 933,379	\$ 1,000,000	\$ (16,277,558)	\$ 1,565,000	\$ (13,220,058)
FY14	\$ 315,000	\$ 1,000,000	\$ (15,892,558)	\$ 1,565,000	\$ (12,270,058)
FY15	\$ 145,000	\$ 1,000,000	\$ (15,337,558)	\$ 1,565,000	\$ (11,150,058)
FY16	\$ 75,000	\$ 1,000,000	\$ (14,712,558)	\$ 1,565,000	\$ (9,960,058)
FY17	\$ 35,000	\$ 1,000,000	\$ (14,047,558)	\$ 1,565,000	\$ (8,730,058)
FY18	\$ -	\$ 1,000,000	\$ (13,347,558)	\$ 1,565,000	\$ (7,465,058)
FY19	\$ -	\$ 1,000,000	\$ (12,647,558)	\$ 1,565,000	\$ (6,200,058)
FY20	\$ -	\$ 1,000,000	\$ (11,947,558)	\$ 1,565,000	\$ (4,935,058)
FY21	\$ -	\$ 1,000,000	\$ (11,247,558)	\$ 1,565,000	\$ (3,670,058)
FY22	\$ -	\$ 1,000,000	\$ (10,547,558)	\$ 1,565,000	\$ (2,405,058)
FY23	\$ -	\$ 1,000,000	\$ (9,847,558)	\$ 1,565,000	\$ (1,140,058)
	\$ 24,585,152				

ESTIMATED REIMBURSEMENT REQUESTS REMAINING = \$20,935,000 over next 10 years

Assumptions:

1. DERF Revenue will continue at \$1,050,000 / year
2. Estimated costs for all projected new projects (for FY08 and Beyond)
3. (*) Actual payments made, revenue, and closing balance shown for FY '06 and '07
4. (**) Closing balance for FY'08 and beyond represents **shortfall** if all claims were paid (with DNR/DOR Admin Costs removed as well). Actual reimbursements limited to budget authorization - estimated at \$1,050,000 per year. Claims received in excess of this figure would not actually receive payment until following FY(s)
5. Estimated Reimbursement Requests based on survey of regional DNR Project Managers of open sites undergoing investigation and remediation. Regional staff provided cost estimates and timelines, or general estimates used where regional estimate unavailable.