

**MEETING MINUTES OF
TOWN OF SHEBOYGAN SANITARY DISTRICT NO. 2 (SEWER)
AND
TOWN OF SHEBOYGAN SANITARY DISTRICT NO. 3 (WATER)**

Date: Monday, April 18, 2016

Place: Town Hall, 1512 N. 40th St., Sheboygan, Wisconsin

Time: 4:00 p.m. – Sanitary District No. 3 Water Monthly Meeting

Time: To Follow San 3 Meeting – Sanitary Dist. No. 2 Sewer & Sanitary Dist. No. 3 Water Joint Meeting

Time: To Follow Joint Meeting – Sanitary District No. 2 Sewer Monthly Meeting

A monthly meeting of the Town of Sheboygan Sanitary District No. 3 (Water) Commission began at 4:00 p.m. and a joint meeting of the Sanitary District No. 2 (Sewer) and Sanitary District No. 3 (Water) Commissions began at 5:00 p.m., following the Water District meeting. The Sanitary District No. 2 (Sewer) Commission continued on with their monthly meeting after the matters in Joint Session had been discussed at 6:05 p.m. on Monday, April 18, 2016 in open session at the Town of Sheboygan Town Hall, 1512 N. 40th St., Sheboygan, WI 53081, Sheboygan County.

Notice of the meeting was given to the public at least 24 hours prior to the meeting by posting in three (3) different places and forwarding to all news media who have requested the same.

Upon motions duly made and seconded, the following resolutions were unanimously adopted and made a part of these minutes by reference as if fully set forth herein.

1. Call to Order

The Town of Sheboygan Sanitary District No. 3 (Water) Commission monthly meeting is called to order by President Mark Flasher at 4:00 p.m. The following were also present at the meeting: Commissioner Jerry Hoepfner, Treasurer; Commissioner Spencer Lutzke, Secretary; Attorney Michael Bauer; Director of Public Works William Blashka; Office Manager Darla Free and those persons on the attached list.

2. Approval of the April 18, 2016 Monthly Bills

“The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the April 18, 2016 monthly bills as submitted per a motion by Commissioner Flasher and a second by Commissioner Lutzke.” Motion carried.

3. Discussion/Action – Investment Options for District Funds, Curtis Roberts, Wells Fargo Bank

Curtis Roberts, of Wells Fargo Bank, distributes Fixed Income Investment Portfolios to the Commissioners. Commissioner Flasher states that the Commission is trying to determine what all of their investment options are, per State Statute. Mr. Roberts states that his opinion is that the District can invest in municipal bonds, not just cd's for “not more than three years” per Statute 66.0603 Investments (1m) Investments (a) 1; or, per item 4, “Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category”; these would be triple A or double A plus; item 3 “Bonds or securities of any county, city, drainage district, etc. would be like professional baseball parks. He states that he interprets item 5 to be mutual funds. Commissioner Flasher asks Accountant Bryan Grunewald, of Schenck and Associates, what his opinion would be for what the District should be doing for District investments; the District's only been investing in cd's. Mr. Grunewald states that the State allows municipalities to invest in other things. Mr. Roberts states that there are corporate and municipal bonds, but cd's are still giving you the best rates. Commissioner Flasher states that there were some corporate bonds that were around 3%. Attorney Bauer states, that from his standpoint, this is a great discussion to have; the State Statutes outline the District's options. Commissioner Flasher states that he thought the District was required to keep all of their funds protected. Mr. Grunewald states that they may have steered the Commissioners to FDIC because of the coverage, but you're not required, but it's good for the taxpayers' assurance. Commissioner Flasher states that if the District has an account with a balance over \$250,000.00, we're uninsured. Mr. Grunewald states that it was common to have balances over that amount, but with the economy, people started being careful; the PSC doesn't look at where you invest your funds, the bank or an investment pool; they only know the amount. Commissioner Flasher states that they are the stewards of the funds and they want to do the best they can; we will now start looking into other options. Commissioner Flasher asks Mr. Roberts if the District can ask his advice and to make recommendations to the District when good rates become available. Mr. Roberts states that he looks at different banks across the country and he'll send the best options. He states that it's a timing issue; he can

send rates over on a Thursday and then they're not available by time the District has their meeting. Commissioner Flasher states that the Commission passed a motion at the February monthly meeting that authorizes Ms. Free to invest up to \$500,000.00 in a cd with funds that are already invested at Wells Fargo Bank, with his pre-approval. Attorney Bauer states that this motion was made to speed up the process. Mr. Roberts states that he'd be happy to work with Ms. Free on a weekly basis to get the best financial opportunities to the Commission more timely. Commissioner Flasher states that the District has a Community Bank/WI Bank & Trust cd that comes due in May; then all of the District's investments will be at Wells Fargo. Attorney Bauer asks Mr. Roberts if he considers himself fiduciary to the District. Mr. Roberts states yes. Attorney Bauer asks him if the Commission tells him how much they want to invest and then he'll do what he thinks is best. Mr. Roberts states yes; we can take one step at a time and see how it goes. Commissioner Flasher states that the process is difficult because the District only meets once a month, at least two Commissioners need to make the motion; we want to do this right. Attorney Bauer asks if the Commission makes an investment decision, is the transaction instantaneous. Mr. Roberts states yes. Commissioner Flasher states that we want to follow the statutes, we need to make sure our money isn't tied up for too long and asks if the District can sell a bond. Mr. Roberts states yes, it's sellable on a business day. Commissioner Flasher asks if cd's can be sold, too. Mr. Roberts states yes. Attorney Bauer states that the cd maturity date just can't be out longer than three years. Mr. Roberts states that the District isn't losing money with cd's. Commissioner Lutzke asks if the cd's accumulate wealth. Mr. Roberts states yes; rates were down from when you purchased them; if you hold them to term, you get the full value; if you choose to sell, you put the cd out for bid; it takes a few hours, then you decide if you'd like to sell it. Attorney Bauer states that if the cd is liquid and you can sell it at any time, per the State statute, maybe there isn't an issue with the maturity date; he states that he'll look into this. Commissioner Flasher states that they have been keeping their investments stepped; they don't have any long term, big capital expenses coming up. Attorney Bauer states that they'll have the capacity to liquidate at any time with these investments. He asks the Commissioners if they want to take action this month, or wait until next month. Commissioner Flasher states that they could start with giving Wells Fargo \$500,000.00; most, but not all, of the District's funds are insured. Mr. Grunewald states what you want to do is to implement in a policy, it's a matter of execution; it's not critical to have the FDIC insurance on everything; follow your investment strategy. Mr. Roberts states that he'll be in contact with Ms. Free with current rates for the Commissioners review.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves to invest \$500,000.00 with Wells Fargo pursuant to State Statute 66.0603, with actual investments subject to President Flasher and Office Manager Free's approval." Motion carried.

Commissioner Katte asks if the same terms would apply to the Sewer District. Attorney Bauer states yes; you can also invest in Town Bonds; if you did this, there are no time limits on these.

4. Presentation of 2015 Audit-Schenck & Associates, Bryan Grunewald

Mr. Grunewald states that the District is doing financially well; with regards to FDIC, it's not required, it comes down to your investment policy. Commissioner Hoepfner states that it comes down to risk. Attorney Bauer states that if you look at investments, under State statute, they are conservative; until 2008-2009 and the bank failures, it wasn't given much thought. Mr. Grunewald states that he's submitted the District's Management Letter, Audit Report and PSC Report. He states that he's going to focus on the Management Letter and how they approach the audit process. He states that they come to the Town Hall with a team of three people, for a full week; they communicate up front what reports they want from the staff; they start in November with risk management and any changes to audit standards, risk assessment and documentation; a big piece of the audit is verifying records and trying to understand the District's process: deposits, payroll, payables; there's now more time focused on this than there was in the past. He states that he worked with DPW Blashka for the PSC Report; the financial and the statistical. He states that when they're done here, they re-group at their offices and prepare the Town, Districts and PSC Report. Commissioner Lutzke asks if he's based out of the Sheboygan office. Mr. Grunewald states yes, but he travels a lot; Dave Maccoux is based out of Green Bay. He states that they tried to use more graphs this year to help everyone understand the reports better. He states that they are required to communicate what's in the first four pages. Commissioner Flasher asks if things are going well. Mr. Grunewald states yes, we come in and work together; we get more involved in the capital assets and appreciation; this is not unusual. Commissioner Flasher states that years ago the District always had a lot of year-end adjustments; we had to change our general ledger numbers a few years ago. Mr. Grunewald states that the numbers were changed based on PSC classifications; we moved up by more customers, so it was required. He states that page two is Schenck's professional requirement; they're required to make this disclosure, the District has seen it in the past; it has year 2014 and as long as conditions exist,

you'll continue to see this. Attorney Bauer states that the report states "we further recommend the District do a risk management assessment"; this hasn't been in past audits. Mr. Grunewald states that it's been there; we come in and conduct the audit and internal controls; you need to make sure everything's in order; as we move forward, we'll have to continue talking about on-line banking and technology, checking our checks and balances. Attorney Bauer asks if they want the District to do a risk assessment, or are we comfortable with our current procedures, we meet each month, etc. Commissioner Flasher states that all expenses are reviewed every month; the DPW has the authority on spending small amounts. Attorney Bauer asks if we do any electronic banking. Ms. Free states that the only electronic banking is funds coming in; Wells Fargo cd interest, and taxes and funds from the County and State; payroll taxes are taken out electronically. Commissioner Flasher states that they see what's billed and collected for utilities and anything outstanding we see go to tax roll. Commissioner Hoepfner states that we have intelligent staff and enough internal control; we are at 100%. Mr. Grunewald agrees, but states that we'll keep talking about it. Commissioner Flasher states that we're always open for suggestions. Mr. Grunewald states that GASB No. 68 refers to the Wisconsin Retirement; we're trying to disclose the information. Attorney Bauer asks for a summary explanation of what they're doing. Mr. Grunewald states that it's because a lot of State's are not well funded; nothing different has to be done; you have to keep paying in. He states that on page five, Operating Results, revenue was up, mostly due to the volume sold; there were less repairs and chemicals, so expenses were down from 2014; on page six there's an overall change in equity, it was creeping up, we focus on "unrestricted", you have a strong cash balance; the rate of return at the end of 2015 was 2.35%, this is a solid rate of return; this is mostly due to the cash balance. He states that page six shows that the District's working capital is very strong. He asks if there are any questions or comments. Commissioner Flasher asks Mr. Grunewald if he could e-mail the breakdown of the accounts from the audit; it's helpful to have for budget purposes. Mr. Grunewald states that he'll send it over and that the Commission should keep doing what they are doing.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the 2015 Audit and PSC Report as submitted by Schenck and Associates per a motion by Commissioner Flasher and a second by Commissioner Hoepfner." Motion carried.

5. Communication & Correspondence Received After Posting of Agenda

Nothing submitted; no updates.

Sanitary District No. 2 (Sewer) and Sanitary District No. 3 (Water) Joint Agenda – Immediately Following Completion of Sanitary District No. 3 (Water) Monthly Meeting

6. Call to Order - Sanitary District No. 2 (Sewer)

The Town of Sheboygan Sanitary District No. 3 (Water) and Sanitary District No. 2 (Sewer) Commissions monthly joint meeting is called to order at 5:00 p.m. by Commissioner Flasher and Commissioner Dave Griffin, President. Commissioner Ken Katte, Treasurer and Commissioner Dave Albright, Secretary, are also in attendance.

7. Approval of the March 21, 2016 Monthly Meeting Minutes

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the March 21, 2016 monthly meeting minutes per a motion by Commissioner Flasher and a second by Commissioner Lutzke." Motion carried.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the March 21, 2016 monthly meeting minutes per a motion by Commissioner Katte and a second by Commissioner Albright." Motion carried.

8. Discussion/Action – Mueller Field West, Hillcrest Homes

Commissioner Griffin states that they're making progress; the water and sewer is in and they're waiting to smooth the asphalt. Attorney Bauer states that they need to pay their Parkland fees; the charge used to be \$160.00 per lot; the law's changed and unless you are doing a new park, you can't charge this fee; the Town is putting in a new park on Eisner Ave.; the Town can charge 5% value on each lot if you are subdividing land; once the park's developed, we can't charge this fee. Commissioner Griffin asks if we've gotten final as-builts. Engineer Holtan states that they still have to get them to us; there were some mark-ups.

9. Discussion/Action – Mutual Aid Agreement

Attorney Bauer states that paragraph 1.4 doesn't concern routine day-to-day operations; the Town Board wants to participate in the Agreement, they thought it was a good idea and asks if the Agreement will be Town and both Districts. Commissioner Flasher states that Sanitary District No. 3 has something through the WRWA, but is open to the idea and asks if any other municipalities are in yet. Attorney Bauer states that it's his understanding that after the Town and Districts make their revisions and suggestions, Chairman Hein will take the Agreement to a Heads of Government meeting; it doesn't have to be finalized now because the other municipalities who choose to participate will have changes, but we're good on our end. Commissioner Flasher states that he doesn't want to add any additional burden. Attorney Bauer states that it doesn't, it just gives formality; Chairman Hein will present it and then we'll send it over to the different municipal clerks. Commissioner Griffin states that we'll have a meeting to bring everyone together once we know who's interested.

10. Disconnection of Services – 5019 Flagstone Rd

Attorney Bauer states that we'll send the resident a letter, telling her exactly what she owes and that she has to pay by the date of the next District meeting, otherwise her service will be disconnected. Commissioner Flasher states that if she pays, we don't disconnect, but then what if she's late again. Attorney Bauer states that then we start the process over. He states that most people go to tax roll when they don't pay, but this is a manufactured home, not real estate; other residents have to pay through tax roll to clear their property. Commissioner Flasher asks if we should change our policy for properties that are personal property, not real estate; we won't tax roll it anymore, but use the shut off policy. Attorney Bauer states that the only way to collect personal property is through small claims court; if you can't find any assets, there's nothing to collect; if you find out where a person works, you can garnish wages.

11. Town of Sheboygan Plan Commission Update

Attorney Bauer states that there was a sign permit approved for St. Vincent de Paul and for Terra Compactor Wheels Corp. Commissioner Griffin states that there was a conditional use application for a restaurant to open on Vanguard Dr. Attorney Bauer states that it was previously a restaurant, so there wouldn't be any additional sewer connection fees.

12. Operator's Report

Ms. Free states that DPW Blashka is gone this week and he submitted written reports for the Commissioners; the reports are part of the minutes' book for review and record retention purposes. President Griffin reads the Sewer District report as submitted and President Flasher reads the Water District report as submitted.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the purchase of a reach pole and hook at a cost of \$400.00 per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the purchase of a gas monitor at a cost of \$665.00 per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves confined space training for five staff with Advance Safety Technology at the Town of Sheboygan Firehouse at a cost of \$950.00 per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried. It's acknowledged that this cost may be reduced if other municipalities are interested in sending any of their staff.

Ms. Free states that Joe Wolf, owner of 5233 Superior Ave., came to the Town Hall to review the sewer televising cd and get photocopies of the sewer lateral leak.

Attorney Bauer states that the City of Sheboygan is asking the Town of Sheboygan to allow an 8" water main in the Town's road right-of-way, near N 14th and N 15th St, north of North Ave. and asks if any of the Commissioners have any objections. Commissioner Flasher states no. Attorney Bauer states that the property is 3127 N 15th St; there are two properties there that are in the Town of Sheboygan. He states that State statutes say that they have to ask our permission; we have a short time to object; but we can't serve them with water; the Town Board will review and approve this tomorrow. Commissioner Flasher states that the City is doing road work in that area.

13. Communication & Correspondence Received After Posting of Agenda

Nothing submitted; no updates.

14. Pending Item List Review

The pending item list is reviewed and updated accordingly. The list is part of the minutes' book for review and record retention purposes.

Commissioner Flasher states that he's going to send Mr. Craig Franzen a letter to see if he'd like to discuss the possibility of the District purchasing land from him on Hwy 42.

15. Adjourn – Sanitary District #3 (Water)

"There being no further business, the Town of Sheboygan Sanitary District No. 3 (Water) Commission adjourns the meeting at 6:05 p.m. until Monday, May 16, 2016 at 4:00 p.m. per a motion by Commissioner Flasher and a second by Commissioner Hoeppner." Motion carried.

Sanitary District No. 2 (Sewer) Agenda - Immediately Following Completion of Joint Agenda

16. Approval of the April 18, 2016 Monthly Bills

Commissioner Griffin states that the District's general money market/replacement fund is low due to paying the final invoice for the SCADA system.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the April 18, 2016 monthly bills as submitted per a motion by Commissioner Katte and a second by Commissioner Albright." Motion carried.

17. Presentation of 2015 Audit-Schenck & Associates, Bryan Grunewald

Mr. Grunewald states that the District is doing financially well and he's submitted the District's Management Letter and Audit Report. He states that he's going to focus on the Management Letter and how they approach the audit process. He states that they come to the Town Hall with a team of three people, for a full week; they communicate up front what reports they want from the staff; they start in November with risk management and any changes to audit standards, risk assessment and documentation; a big piece of the audit is verifying records and trying to understand the District's process: deposits, payroll, payables; there's now more time focused on this than there was in the past. He states that when they're done here, they re-group at their offices and prepare the Town, Districts and PSC Report. He states that they tried to use more graphs this year to help everyone understand the reports better. He states that they are required to communicate what's in the first four pages; we come in and work together; we get more involved in the capital assets and appreciation; this is not unusual. He states that page two is Schenck's professional requirement; they're required to make this disclosure, the District has seen it in the past; it has year 2014 and as long as conditions exist, you'll continue to see this; we come in and conduct the audit and internal controls; you need to make sure everything's in order; as we move forward, we'll have to continue talking about on-line banking and technology, checking our checks and balances. Mr. Grunewald states that GASB No. 68 refers to the Wisconsin Retirement; we're trying to disclose the information; it's because a lot of State's are not well funded; nothing different has to be done; you have to keep paying in. He states that the District is very strong and asks if there are any questions or comments.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the 2015 Audit Report as submitted by Schenck and Associates per a motion by Commissioner Griffin and a second by Commissioner Katte." Motion carried.

18. Discussion/Action – Lateral Leak Repairs

A. Holiday's/Tom's Restaurant, 5533 Superior Ave.

Jeremiah Lederer, of Edgewater Plumbing, is in attendance as the subcontractor for Spielvogel Excavating; he states that no one told him about the severity of the leak or a date it had to be done by, so he suggested they wait until the asphalt plants open; then he got the letter from Holiday's attorney that it had to be done immediately. He states that he e-mailed the DPW to get the necessary information to move the repair along; the locates were done last week; the permits are in to the County to open the road; he contacted Northeast Asphalt and they have some production going; he'll trench some and excavate some; it sounds like the leak is by the first fitting. Commissioner Griffin states that it sounds like both fittings are leaking. Mr. Lederer states

that he e-mailed the DPW this morning to make sure he was aware of the progress and if there were any traffic control issues to consider; they'll probably start tomorrow. Commissioner Griffin states that, per DPW Blashka's e-mail, it does sound like the work is going to start this week; not having the asphalt plant open was not a good reason to not start the project; it's been over six weeks since we notified Holiday's of the leak, back in early March; if this leak doesn't get repaired, the District would have to start billing Holiday's for the treatment costs. Attorney Bauer asks if DPW Blashka will be on-site to inspect the repairs. Commissioner Griffin states that DPW Blashka is out on funeral leave; John Witters can be on-site.

B. 1303 N 47th St.

Per the Operator's Report, this repair has been completed.

C. 5233 Superior Ave.

This agenda item was discussed under agenda item 12. Operator's Report "Ms. Free states that Joe Wolf, owner of 5233 Superior Ave., came to the Town Hall to review the sewer televising cd and get photocopies of the sewer lateral leak".

19. Merger of Land in District from Parcel 59024341422 to Non-District Land 59024341460

Glen Fuhrman, property manager of parcel 59024341422, is in attendance. Commissioner Griffin states that .6 acres will be transferred from parcel 341422 to parcel 341460. Attorney Bauer states that a property owner can petition to annex out of the District or Sanitary District No. 2 could ask the Town Board to remove the land from the District; then the Town Board has to make findings that they don't need sewer, that it's not a public health issue or a benefit to keep the land in the District; then it's an order, it gets recorded, then it's allowed to be merged. He states that, from the District's standpoint, they would need to make a motion to direct the Town Board to remove this strip from the District.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) hereby directs the Town of Sheboygan Town Board to remove the eastern .6 acres of parcel number 59024341422 from the Sanitary Sewer District as requested by the property manager on behalf of owners Robert and Paula Van Akkeren per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried.

Attorney Bauer states that he will do the order and take the information to the Town Board.

20. The Preserve at Briarwood Sanitary Sewer Connection Request, Mr. Dirske

Attorney Bauer states that nine homes by Briarwood were approved for future connections as part of the connection agreement with the Briarwood Subdivision; each of these connections would be required to pay 1/19th of the cost of the original project. Commissioner Griffin states that 1/19th is \$4,200.26 per property; what happens to that money when the reimbursement to the developer expires on Sept. 13, 2026. Attorney Bauer states that the property owner would get to connect free of this deferred special; just the sewer connection would be due to the District.

21. Communication & Correspondence Received After Posting of Agenda

Nothing submitted; no updates.

22. Adjourn – Sanitary District No. 2 (Sewer)

"There being no further business, the Town of Sheboygan Sanitary District No. 2 (Sewer) Commission adjourns the meeting at 6:15 p.m. until Monday, May 16, 2016, following the Sanitary District No. 3 Water monthly meeting per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried.

Town of Sheboygan Sanitary District No. 2 Sewer

David Griffin, President
Ken Katte, Treasurer
David Albright, Secretary

Town of Sheboygan Sanitary District No. 3 Water

Mark Flasher, President
Jerome Hoepfner, Treasurer
Spencer Lutzke, Secretary