

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

TOWN OF SHEBOYGAN SANITARY DISTRICT NO. 2 (SEWER)

Date: Monday, May 21, 2018

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

The 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 4:35 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 5:50 p.m. on Monday, May 21, 2018 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, Sanitary District No. 3 (Water) at 4:00 p.m. The following were also present at the meeting: Treasurer Jerry Hoepfner, Sanitary District No. 3 (Water); Secretary Spencer Lutzke, Sanitary District No. 3 (Water); Sanitary Districts No. 2 (Sewer) and No. 3 (Water) Alternate Commissioner Art Stewart; Town Attorney Michael Bauer; Town Engineer Tom Holtan; Director of Public Works William Blashka; Office Manager Darla Free and those persons on the attached list.

2. Approval of the May 21, 2018 Monthly Bills

“The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves to void check number 6348, payment to Kip Ertel in the amount of \$55.00 and approves all other May 21, 2018 monthly bills as submitted per a motion by Commissioner Flasher and a second by Commissioner Hoepfner.” Motion carried.

3. Presentation of 2017 Audit & PSC Report – Schenck & Associates, Bryan Grunewald

Accountant Bryan Grunewald is in attendance for this agenda item. He states that each Commissioner has a copy of the PSC Report, the Management Communications letter and the 2017 Financial Report; the Management Communications letter is required and the language is consistent with past letters; the bottom of page one and top of page two states three findings; it's common and they expect to see the same findings in the future because there's limited staffing, so you want to continue your checks and balances. He states that the second finding is the prep of the annual financial report; it discloses that Schenck did the preparing and necessary adjustments; they work with the staff and they make sure we agree that it is complete and accurate. He asks if anyone has any questions or comments. Commissioner Flasher asks if the segregation of duties is also part of the Town's and Sewer District's audit disclosure. Mr. Grunewald states yes, it is; the rest of the letter is nothing unusual; it explains the corrected and uncorrected adjustments and he believes they've all been done; there were no red flags. He states that page five is a snapshot of the operating revenue, it's extremely consistent and it's down from last year; from \$616,101 to \$564,765; it's down mostly due to maintenance activities; we focus on the operating income; other revenue sources are interest earned, taxes; equity has gone up \$241,000; the rate of return is part of the PSC Report; it's how much that's invested in infrastructure, it's their benchmarks; our rate of return was 7.5% and the PSC's was 4.2%, which was up from 2.6% in 2016; it's a little higher than before; 2014 was exceptionally low due to the cold winter. He states that the bottom of page six shows the District's net position and the District's equity, which is the cost of assets over depreciation and that's why you have the reduction of \$8.8 million; the unrestricted net position in 2013 was \$2.4 million, now it's at \$4 million; this is an indicator of a strong financial position. He states that page seven explains your working capital, it's assets over liabilities; it's to show that you can pay your bills; your cash reserves had growth of

\$522,000; it's very strong. He states that the District has \$3.7 million in investments; your cash position is real strong and you have no long term debt. He states that you should continue monitoring leaks; with your cash you could do quite a bit of work and not borrow. He asks if there are any questions. There are no questions or comments. Mr. Grunewald states that the purpose of the representation letter is to disclose that they got everything they asked for and that the audit went well; their staff and the Town staff worked well together. Commissioner Flasher states that we use different general ledger numbers so it's easier for the Commissioners to track expenses and asks if that causes issues. Mr. Grunewald states that it's fine, they make the conversions for the audit and PSC; the PSC regulates the numbers that are required. He asks if there are any questions regarding the PSC Report. DPW Blashka states that this year we were required to report how many services we have out there and how many are being used. Mr. Grunewald states that the PSC asked for this information in January and we asked them how accurate it had to be; the PSC understands that they asked for this information late; we put in our notes what our understanding was; they're trying to get a handle on what's out there. Mr. Grunewald asks if there are any further questions or concerns. There are no further comments.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the 2017 Audit and PSC Report as presented per a motion by Commissioner Flasher and a second by Commissioner Hoepfner." Motion carried.

4. Discussion/Action – Dixon Engineering Proposal/Contract Agreement for Tower 1

DPW Blashka states that Dixon Engineering always handles the bidding, inspections and paperwork for tower repairs; their estimate for Tower 1's work is \$112,000.00 and this includes an exterior overcoat; if the District wants to change out to the new Town logo, the additional cost estimate is \$20,000.00-\$50,000.00 because it's three colors and they'd need to make a new template. Commissioner Flasher states that he'd prefer to leave it. DPW Blashka states that we should talk to the Town Board and see what they would want to do. Supervisor Schwinn asks Ms. Free to have this issue put on the next Town Board agenda. DPW Blashka states that Dixon sets up the bid book, they follow the bonds and the warranty inspection after one year; they also deal with any antenna issues and additions; they've always done this for us; if the color of the tower changes, we can use a change order. Commissioner Flasher states that he doesn't see the value in the change. Attorney Bauer states that everything looks fine in the contract from his perspective and asks if there is anything on this tower. DPW Blashka states that the SCADA antennas are on Tower 1, but he doesn't see a reason why they'd have to move them for any of the work.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the Dixon Engineering Proposal/Contract Agreement for Tower 1 and authorizes DPW Blashka to sign the contract per a motion by Commissioner Flasher and a second by Commissioner Hoepfner." Motion carried.

5. Discussion/Action – Reimbursement of Expenses: Woodland Rd Water Leak Notification

Commissioner Flasher states that we had a water lateral leak on Woodland Rd. and he spoke to DPW Blashka about the details. DPW Blashka states that we knew we had a leak in the system and have been looking for it for a while; we had checked the hot spots; we checked Maple Forest first; we checked every curb stop and hydrant; from that area we went south and in the process Mr. Ertel, N6406 Woodland Rd., e-mailed the office and said his sump pump was running and it never did before; he's not connected to Town water; the area was checked in February but he couldn't hear anything with the leak detector; they checked one week later and still didn't hear anything; he went back again the next day and heard an unusual sound; the owner was home at the time and he asked him if he had a line into his house; the owner let him in the house; he saw the line coming in and it was not connected. He states that he told Mr. Ertel that, because there was a line to the house, if there's a leak on or before the curb stop, the water could follow the line to the house; he checked outside again and heard noise and as he listened closer to the main the noise got louder; he also heard the noise on Mr. Ertel's well. He states that he called Larry's in to dig it up; the leak was 3' to 4' from the main and the hole was downward; Mr. Ertel's lateral looped around his house and it allowed easy access of water to his footings; it was probably leaking for over one year; the water probably ran along the main; the lateral has been replaced with poly; based off of the charts, his estimate is about 184 gallons per minute; originally he estimated the leak to be around 90 gallons per minute; he already noticed a big drop in pumpage, but we could still have more leaks, but this is probably the main leak; we only affected four properties when we had to turn off the water to make the repair. He states that Mr. Ertel is asking to be reimbursed because he incurred costs because he purchased a chlorine test kit and dye to check if his well was leaking; we have never reimbursed residents for this; if we pay Mr. Ertel, we'll have to pay the others who have had the same situation; this happened in Country Meadows. Commissioner Lutzke states that their sumps also ran because of tiles and that's not our responsibility; they still have that problem in Country Meadows. DPW Blashka states that they had lateral leaks

there, too. Commissioner Flasher states that we haven't reimbursed for these issues in the past; they can work with their homeowners insurance if they'd like to pursue it; we try to get to the areas as soon as we're notified of any issues like this; we haven't paid residents in the past because where do we start and stop. DPW Blashka states that it's almost impossible to hear a leak on plastic pipes; frost affects the sounds and it's hard to hear when it's windy or if there's traffic in the area. Commissioner Flasher states when this issue was brought to our attention we checked it out and found nothing; then the resident contacted us a second time; we maybe found the leak sooner because he contacted us and I would like to thank him; the question is the reimbursement; we haven't paid in the past and others have incurred expenses from leaks that they wanted reimbursement for; we could write Mr. Ertel a letter to thank him, but if we send a check, are we setting a precedence. Attorney Bauer states that there will be some implications; the owner had foundation concerns; if something would happen with his foundation, he would have a larger insurance claim; if you do any kind of reimbursement, you would have to have him sign a claim releasing the District of any further issues. DPW Blashka states that he told Mr. Ertel that they'll be back to do the restoration after the ground has settled; they'll add top soil and restore the area; it's our first day back from vacation and he just saw Mr. Ertel's letter today. Commissioner Flasher states that he'll work with Ms. Free to draft a letter to Mr. Ertel; we'll let him know we'll be restoring the area after it settles and we don't see a reason for any future concerns. Commissioner Hoepfner states that he agrees with Attorney Bauer that if we pay, we must have a signed release. Attorney Bauer states that we did not ask the resident to purchase or test anything.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves to send a letter to thank Town resident Kip Ertel for notifying the District of a possible leak concern per a motion by Commissioner Flasher and a second by Commissioner Lutzke." Motion carried.

Alternate Commissioner Stewart states that it seems that the issue is localized. DPW Blashka states that we've had copper laterals, water and soil tested from that area; it seems to be services that were put in around 2000 and the copper was coming from China during that time; all of the tests came back fine. Commissioner Stewart asks if this property has a well and a lateral. DPW Blashka states yes, it does, but the lateral isn't connected. He states that mains are usually ductile iron and that's where you see the pitting; so far we've only had this on copper laterals.

6. Discussion/Action – Review District Investments; Wells Fargo CD Maturity – BMO Harris

Commissioner Flasher states that we have rates from Wells Fargo, but they're dated May 14, so we asked for updated rates today; they're printed on the bottom of Mr. Roberts e-mail. Commissioner Hoepfner states that he'd like to suggest a three year cd at 3%. Commissioner Flasher states that he'd like to use funds from their investment holding account, and then when the BMO Harris cd comes due May 25th, those funds can be deposited into the investment holding account.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the purchase of a three year cd in the amount of \$250,000.00 at 3% or an equivalent value cd per a motion by Commissioner Hoepfner and a second by Commissioner Flasher." Motion carried.

7. Discussion/Action – New Water Tower Site

Commissioner Flasher states that he called Jim Hapeman once since the District's last meeting, but he wasn't available; they are working with a realtor; he'll try contacting him again before the June meeting.

8. Communication & Correspondence Received After Posting of Agenda

Commissioner Flasher states that he told the Town Board of his pending resignation after the Districts June meeting; the Town Board will determine the new hire. Attorney Bauer states that the Town Board will hire the new person, but the Commissioners will appoint the positions. Commissioner Griffin states that we can meet candidates in June and the new hire can begin in July.

Commissioner Griffin states that the May 22nd joint meeting between the Districts and Town Board has been postponed to a later date.

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

9. 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 4:35 p.m. by Commissioner Flasher and President Dave Griffin, Sanitary District No. 2 (Sewer). Treasurer Ken Katte, Sanitary District No. 2 (Sewer) and Secretary Dave Albright, Sanitary District No. 2 (Sewer) are also in attendance.

10. Approval of the April 16, 2018 Monthly Meeting Minutes

Commissioner Griffin states that there's a typo in agenda item nine, four lines from the bottom; "wreaked" should be "wrecked".

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the April 16, 2018 monthly meeting minutes with the correction to agenda item nine per a motion by Commissioner Albright and a second by Commissioner Katte." Motion carried.

"The Town of Sheboygan Sanitary District No. 3 (Water) Commission hereby approves the April 16, 2018 monthly meeting minutes with the correction to agenda item nine per a motion by Commissioner Flasher and a second by Commissioner Hoeppner." Motion carried.

11. Discussion/Action – Water and Sewer Service to 6018 Superior Ave, Granary Building

Erik Jensen and Allan Stader are in attendance for this agenda item. Mr. Jensen states that the Blind Horse wants to remodel the existing granary; it will have the same use but the main project is to add a toilet room; Town Building Inspector Drager has approved the plans, but there are some plumbing questions. Commissioner Griffin asks what the usage of the building is. Mr. Jensen states that it's a gathering/meeting room. Attorney Bauer asks if they'll be preparing meals in this space. Mr. Jensen states that maybe they'll bring food over, but there won't be a kitchen. Attorney Bauer asks if there will be a bar. Mr. Jensen states yes, there will be. Mr. Stader states that right now, in the winter, customers have to go to the other building to use a restroom. DPW Blashka states that there's metered water service into the existing restaurant and that's where they'd tie in; it will still be metered; it's not a plumbing code issue; there isn't water or sewer running into the granary right now; the sewer runs along the south side of the granary and services the restaurant; they will have to tap into the existing lateral because there will be two services; because it's a separate building, they'll need a sewer cleanout; it's going to be a private interceptor so it will have to be recorded on the deed; it will need to be recorded at the County Register of Deeds. Mr. Stader states that there's a cleanout on the west side. DPW Blashka asks if it's up stream. Mr. Stader states yes. Attorney Bauer asks who would approve a private interceptor. DPW Blashka states that he doesn't know, but it has to be on the deed. Attorney Bauer asks who told him this. DPW Blashka states that Town Building Inspector Drager told him it was required. Mr. Jensen states that the building plans have already been approved; it's only going to be a little lavatory. Commissioner Stewart states that if you're having less than sixteen fixtures, you don't need State approval. Commissioner Griffin states that, regarding the sewer connection fee, we use a UCE rating system; it's different for commercial businesses and it's more once you have capacity for over fifteen people. Mr. Jensen states that the current capacity is a couple of dozen, about 35-40 people; there will be a little more flow. Commissioner Griffin states that even when it's an existing building, an addition can require more connection fees. Mr. Jensen asks how much more. Commissioner Griffin states that one UCE value is \$2,000.00; he thinks that an additional \$2,000.00 would be fair. DPW Blashka states that there wouldn't be any other additional fees because they already have metered water. Commissioner Griffin states that he has no opinion on the private lateral issue with the State and their requirements. Mr. Jensen states that they'll talk to Inspector Drager about it. Attorney Bauer states that we can check with Town Plumbing Inspector Wes Grube; we'll go with his opinion. Mr. Jensen asks that if they prepare a water and sewer layout and then talk to Inspector Grube and he vouches for the plan, then can they move forward. Commissioner Katte states that they'll have to make sure they get the plans to DPW Blashka. Mr. Jensen asks if they can start the carpentry work while they're waiting to hear about the plumbing. Attorney Bauer states no, that doesn't follow Town procedures; we want all issues resolved before permits can be issued.

12. Discussion/Action – Office Staff Review

Ms. Free states that she'd like to start training another person for office staff; the Clerk plans to retire in May 2019. Supervisor Schwinn states that the Town Board approved to hire another person for the office; the ad is running now. Ms. Free states that the Districts could review these resumes after the Town hires who they want and make a decision then; this fall would be a good time to bring another new person in.

13. Town of Sheboygan Plan Commission Update

Commissioner Griffin states that the May Plan Commission meeting was cancelled.

14. Operator's Report

DPW Blashka states that he has nothing to report for the Sewer District; he submitted the flows; he didn't get the flows from the City from last month.

DPW Blashka states that he submitted the pumpage reports for the Water District; they've been out doing leak detection; since the Woodland Rd. water leak repair was made, daily pumpage is down; we're doing spring flushing and have received a few calls about brown water; he spoke with Mr. Schneider and told him to pull more water through, that should solve the problem.

15. Communication & Correspondence Received After Posting of Agenda

DPW Blashka states that Custom Built, at 3692 Progress Dr, is going to abandon their current water service and bring in a new 6" service for both buildings.

16. 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 Griffin states that there are no changes or additions to the pending list this month.

17. Adjourn – Sanitary District No. 3 (Water)

"There being no further business, the Town of Sheboygan Sanitary District No. 3 (Water) Commission adjourns the meeting at 5:50 p.m. until Monday, June 18, 2018 at 4:00 p.m. per a motion by Commissioner Flasher and a second by Commissioner Hoepfner." Motion carried.

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

18. Approval of the May 21, 2018 Monthly Bills

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the May 21, 2018 monthly bills as submitted per a motion by Commissioner Albright and a second by Commissioner Griffin." Motion carried.

19. Presentation of 2017 Audit Report – Schenck & Associates, Bryan Grunewald

Accountant Bryan Grunewald is in attendance for this agenda item. He states that each Commissioner has a copy of the Management Communications letter and the 2017 Financial Report; the Management Communications letter is required and the language is consistent with past letters; the bottom of page one and top of page two states three findings; it's common and they expect to see the same findings in the future because there's limited staffing, so you want to continue your checks and balances. He states that the second finding is the prep of the annual financial report; it discloses that Schenck did the preparing and necessary adjustments; they work with the staff and they make sure we agree that it is complete and accurate. Mr. Grunewald states that the purpose of the representation letter is to disclose that they got everything they asked for and that the audit went well; their staff and the Town staff worked well together. He asks if anyone has any questions or comments. There are no comments. Mr. Grunewald states that page five is a snapshot of the operating revenues; revenues are up due to connection fees; the District's went up from the previous year, from \$922,000.00 to \$963,000.00; it was due to treatment, supplies, wages and benefits; you also had an increase in revenue from property taxes and interest earned. Commissioner Albright asks why taxes were different. Commissioner Flasher states that the Water District reduced their mill rate two years ago and the Sewer District increased theirs by that amount. Mr. Grunewald states that overall the net investment in capital assets is decreasing due to depreciation; it went from \$14.9 million to \$14.3; the District's unrestricted net position increased from \$1.6 to \$1.9 million; overall your net position balances, primarily the unrestricted balance is strong. He states that the District's working capital is shown at the bottom of page six; it shows the loan to the Town and the money owed to the City; your working capital went down but now it's building; District's assets are \$22 million, with \$1.2 million in total cash. Attorney Bauer asks if he recommends an increase in rates. Mr. Grunewald states that many municipalities increase rates when they have to make major repairs, but the District would have the flexibility to slowly increase rates; it comes down to your plan; you're in a very fortunate position. Commissioner Griffin asks what it would cost to replace a large lift station. Mr. Grunewald states that

with how the District is building its cash on a yearly basis, you're doing well; big projects take time and you'd have time to spread out payments or deciding a rate increase. He asks if there are any questions or comments. There are no comments.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves the 2017 Audit Report as presented per a motion by Commissioner Griffin and a second by Commissioner Katte." Motion carried.

20. Review/Approval – Resolution 1-2018 NR 208 Compliance Maintenance Annual Report 2017

DPW Blashka states that these numbers come from the budget and the audit report; it's gas consumption, the amount in your replacement account and information about the seven lift stations; we do this yearly. Commissioner Griffin states that under "Future Planning" it lists an additional lift station in the year 2020. DPW Blashka states that it's referring to future development in the western portion of the Town; we could delete this information because it's only an estimate; we have to report how many miles of sewer we have; they want to know if, and how many sewer back-ups we had during the year; we didn't have any back-ups in 2017; we got the top grade, an A.

"The Town of Sheboygan Sanitary District No. 2 (Sewer) Commission hereby approves Resolution 1-2018 NR 208 Compliance Maintenance Annual Report for 2017 as presented per a motion by Commissioner Griffin and a second by Commissioner Albright." Motion carried.

21. Discussion/Action – Utility Upgrades by Mi-Tech Services Inc

Nothing submitted; no updates.

22. Communication & Correspondence Received After Posting of Agenda

Commissioner Griffin states that the review and approval of the Capacity, Management, Operations & Maintenance Plan (CMOM) can be carried over until the June meeting.

23. 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 6:00 p.m. until Monday, June 18, 2018, following the Sanitary District No. 3 (Water) monthly meeting per a motion by Commissioner Griffin and a second by Commissioner Katte." 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

Minutes approved on June 18, 2018