

**MINUTES OF THE
NORTH SHORE WATER COMMISSION
MEETING OF Wednesday, February 8, 2017**

A meeting of the North Shore Water Commission was held at the Filtration Plant, 400 West Bender Road, Glendale, Wisconsin on Wednesday, February 8, 2017.

Meeting was called to order at 8:00 A.M. by Mr. Edlebeck.

Present: John Edlebeck, Chair; Mike West, Secretary; Dave Eastman, Member.

Also present: Eric Kiefer, Plant Manager & Recording Secretary; John Knepel, Baker Tilly

Absent: Paul Boening, Alternate for Whitefish Bay; Scott Botcher, Alternate for Fox Point; Rachel Reiss, Alternate for Glendale

PRESENTATION OF THE 2016 DRAFT FINANCIAL STATEMENTS

Mr. Knepel of Baker Tilly was invited to discuss the draft financial statements for 2016. He noted there were no material weaknesses in internal controls and that Baker Tilly will be issuing an unmodified audit opinion of the financial statements.

Mr. Knepel reviewed various sections of the financial statements with the Commission. Pages 6 and 21 were discussed in great detail. In particular, he explained how the General Fund balance was determined by committed or assigned funds for long-term obligations, emergencies, and contingencies.

Mr. Edlebeck asked if the General Fund balance is set at the appropriate level. Mr. Knepel replied that it is typical for an entity such as the Commission to have a fund balance of approximately 18% of its annual budget. The current amount being held for contingencies is 2% of the operating budget.

During discussion, it was the consensus of the Commission that the Founding Agreement would need to be amended to alter the way in which the Commission maintains fund balance.

Mr. Knepel went on to discuss the Maintenance Reserve Fund balance. In his discussion, he mentioned the balance in recent years has fluctuated as well as the proportionate balance kept by each member. Mr. Kiefer requested that Mr. Knepel help the Commission address this concern.

Mr. Kiefer explained that the Commission should set the Maintenance Reserve fund balance at a specified level. Then the Commission can adjust the proportion of fund balance held by each member to match the capital allocation rates.

Mr. Knepel went through a worksheet, shown on pages 32 and 33 of the financial statements, that was modified in order to help the Commission set a target fund balance for the Maintenance Reserve Fund. Mr. Knepel mentioned that the draft statements assume a target fund balance of \$650,000 in the Maintenance Reserve; however, that level could be adjusted if the Commission so desired.

Mr. Kiefer also mentioned that the Founding Agreement does not mention a Maintenance Reserve

Fund. Rather, it is assumed to be the equivalent of the Emergency Fund and should be treated as such for the purpose of administering the Founding Agreement. Consequently, Mr. Kiefer believes the fund should actually be kept between 15 to 30% of the annual operating budget. However, since the Commission has a large capital improvement project on the horizon, it would be prudent to keep the fund balance near its current level, which is over 50% of the annual operating budget.

Mr. Knepel asked if the Commission had any objections to keeping the Maintenance Reserve Fund balance at \$650,000. There were no objections.

Mr. West and Mr. Edlebeck asked Mr. Knepel if he could stay for agenda items 8 & 9. At that time, the Commission could discuss proposed changes to the Founding Agreement drafted by Mr. Kiefer. Mr. Knepel agreed to stay.

It was moved by Mr. West, seconded by Mr. Eastman, and unanimously carried to accept the draft financial statements and other communications as drafted by Baker Tilly with the expectation that a final version would be brought to the Commission at the March meeting for possible acceptance.

With no objections, Mr. Edlebeck suspended the rules and indicated that items 8 and 9 on the agenda would be taken up before advancing to item 3.

DNR SANITARY SURVEYS

Mr. Edlebeck explained the reason for placing this item on the agenda. He explained that he received a request from the Department of Natural Resources (DNR) for each member community to place pumps and other applicable items owned by the Commission on the Public Service Commission (PSC) annual report.

Mr. Kiefer explained that all of the assets of the Commission are actually owned by its member communities. Therefore, the communities should list Commission assets in the PSC.

To the best of his knowledge, Mr. Knepel believes that all of the Commission assets are included in the financials of the PSC report. Mr. Knepel thinks the DNR is referring to the non-financial portion of the PSC report. Mr. Kiefer agreed with Mr. Knepel; every year he sends information to each community to help fill out that section of the report.

Mr. Edlebeck directed Mr. Kiefer to include him on said communication.

MANAGER'S RECOMMENDATIONS FOR AMENDING AGREEMENT

Mr. Edlebeck asked Mr. Kiefer to go through his suggestions for revising the Founding Agreement which would be of particular interest of Mr. Knepel.

Mr. Kiefer provided the Commission with a section of the founding agreement that he had marked up. He started discussion at Article 6, Operating Expense and Capital Requirements.

The following feedback provided by the Commission and Mr. Knepel:

In 6.02, "WGC" should be changed to City of Mequon or something of the like.

In 6.03 (1) and (2), October 15 should be changed to October 1 to allow members to better prepare for the budget.

In 6.03 (2) paragraph 2, the Commission does not have consensus if that paragraph, in its entirety, is needed. Mr. Edlebeck mentioned that perhaps another section of the agreement, that deals with disputes, would be a better place for this kind of language. If the language is kept, Mr. West suggested that Commissioners should be given all necessary authority to set the budget and that an objection would need to be brought to the Commission through the Commissioner. Also, the December 31st date should be changed to an earlier date.

In 6.05, the policy for setting the fund balance should be delegated to the Commission so that future changes could be done quicker and more efficiently than an amendment to the agreement.

In 6.08, it was the consensus of the Commission that "Maintenance Reserve Fund" be renamed to a term that uses the word "Capital," such as "Capital Improvement Fund." Furthermore, the policy for setting the fund balance should be delegated to the Commission so that future changes could be done quicker and more efficiently than an amendment to the agreement. Mr. West also requested that the capital rate be adjusted on a 5-year basis instead of every 10 years by default.

Also in 6.08, it was suggested that the 1st and 2nd paragraphs be condensed into a single paragraph. The sentence referring to "financial hardship" should be removed; the Commission should be given authority to decide on how to use these funds for capital improvements.

Mr. West commented that Mr. Kiefer should contact Chief Whitaker from the North Shore Fire Department to see a similar agreement.

Mr. Edlebeck and Mr. Eastman expressed their concern that the comprehensive changes to the agreement would not be done before Mr. West left office. Therefore, Mr. Edlebeck requested that the Commissioners prepare for a "long" March meeting to get through as much of Mr. Kiefer's suggested revisions as possible.

Should the Commission not finish this process by the end of his term, Mr. West indicated that he would continue to assist Fox Point with amending the Founding Agreement, if requested by the new Commissioner.

No action was taken at this time.

John Knepel left the meeting at 9:25 AM.

MINUTES

It was moved by Mr. West, seconded by Mr. Eastman, and unanimously carried to approve the minutes for the meeting held January 11, 2017.

MONTHLY REPORT OF PLANT OPERATIONS

Mr. Kiefer provided the Commission with the monthly report of operations. During his presentation, Mr.

Kiefer noted that pumpage this January is fairly close to last January. He believes there may be a slow leak in Glendale and is working with Mr. Eastman to investigate the matter. The report was placed on file without any motion.

ANNUAL OPERATING BUDGET

Mr. Kiefer presented the monthly financial reports and they were put on file without motion.

MONTHLY BILLS

It was moved by Mr. West, seconded by Mr. Edlebeck, and unanimously carried that the following bills and estimated invoices be approved and authorization was given to the Fiscal Agent to make such payments:

<u>Vendor</u>	<u>Amount</u>
Alexander Chemical (treatment chemical: sodium hypochlorite)	2,761.08
BMO Harris Bank (credit card)	511.98
--Amazon (accounting software, Sage 50): \$411.83	
-- Google (monthly charge for apps): \$54.16	
-- Straight Talk (monthly phone plan - Foreman): \$45.99	
<i>Note: The following items were purchased by credit card but are for capital projects (possible approval under item 7 on agenda):</i>	
--Amazon (solid state drives): \$1,399.80	
--Mitxpc, Inc (servers): \$1,905.94	
--Supermicro eStore (server memory): \$385.61	
Diversified Benefit Services (enrollment services and Section 125 Plan administration)	199.40
Earthlink (Bender phone - ESTIMATE)	153.95
Emerson Process Management PWS (renewal of software support agreement)	11,148.00
Eurofins (cryptosporidium analysis)	380.00
Grainger (electrical supplies, hardware, plumbing supplies, lamps, aerosol duster, slings, janitorial supplies, syringes, and syringe filters)	794.37
Great America (lease payment for copier/printer)	100.00
Hawkins (treatment chemicals: aqueous ammonia and phosphate)	2,115.79
Home Depot (hardware and electrical supplies)	102.36
Idexx (color comparators and quanticult kits)	255.45
McMaster-Carr (outlet covers)	139.22
Minnesota Life / Securian (employee life insurance)	115.48
Northern Lake Service (analysis of water samples for compliance monitoring)	67.00
Office Copying Equipment (maintenance payment for copier/printer)	34.38
Quill (office supplies, binders, markers, scissors, echo dot, pencils, labels, and paper)	436.22
Rotroff Jeanson (monthly accounting services and audit preparation)	1,893.45
SEH (engineering services pertaining to the inspection and recommended repairs of reservoirs)	7,000.00
Spectrum Business (internet services and Klode phone)	391.31
Starnet Technologies (control system support and maintenance contract)	12,328.00

renewal and first quarter communications charges for remote metering sites)		
T-Mobile (mobile internet)		31.05
Urich Lock (locksmith services)		369.00
US Cellular (cellular phone service)		4.25
USA Bluebook (free and total chlorine reagents)		925.65
Vacuum, Pump, and Compressor (oil)		252.12
Village Ace Hardware (lamps, hardware, caulk, pails, and plugs)		38.31
Village of Fox Point (gasoline)		51.62
We Energies (Bender Electric)		14,104.12
We Energies (Bender Gas)		1,763.89
We Energies (Green Tree Electric)		17.20
We Energies (Henry Clay Electric)		16.92
We Energies (Klode Electric - ESTIMATE)		3,807.59
We Energies (Klode Gas)		23.05
Wilkens-Anderson (autoclave maintenance kit and cleaning supplies)		343.55
William Reid (injection quill with check valve)		372.00
Wisconsin State Lab of Hygiene (fluoride analysis)		25.00
	SUB-TOTAL	\$63,072.76
<u>Maintenance Reserve</u>		
Clark Dietz (high service pump #5 replacement engineering)		2,809.68
	SUB-TOTAL	\$2,809.68
	TOTAL	\$65,882.44

STATUS OF CAPITAL IMPROVEMENT PROJECTS AND APPROVAL OF PAYMENTS

Mr. Kiefer provided the Commission with a brief status report of the SCADA Upgrade Project and the Chemical Feed Project.

It was moved by Mr. Eastman, seconded by Mr. West, and unanimously carried to approve the payment request as presented in Mr. Kiefer's memoranda dated February 8, 2017 in the amount of \$32,430.48 for the SCADA Upgrade Project and \$3,830.87 for the Chemical Feed Project using the current capital allocation rates.

MANAGER'S REPORT

1. Raw Pump #4 stopped working after an update. Plant staff identified source of problem and restored operation of pump.
2. Plant staff updated the pressure relief valves and back pressure valves associated with the chemical feed systems installed before 2016.
3. Wisconsin Department of Natural Resources conducted a sanitary survey. No reports have been issued, but the reservoirs will likely be mentioned in the report as being deficient.
4. Operator Technician Bryan Wolf resigned on January 17, 2017. Before posting the position, plant staff will discuss alternative work schedules.

5. Plant staff is continuing its efforts to strip and wax the main floor at the Bender facility.

CLOSED SESSION

At 9:35 A.M. it was moved by Mr. West, seconded by Mr. Edlebeck, and unanimously carried that the Commission enter into closed session pursuant to section 19.85 (c) of Wisconsin Statutes to discuss and consider wage rates and bonuses for specified employees. The Commission may reconvene into open session to take action regarding these matters.

By roll call vote, the Commission reconvened into open session at 9:53 A.M.

It was moved by Mr. West, seconded by Mr. Edlebeck, and unanimously carried to approved the compensation plan and bonuses as described in Mr. Kiefer's memo dated 2/3/2017.

NEXT MEETING

The next regular meeting was scheduled for Wednesday, March 8, 2017 at 8:00 AM.

ADJOURNMENT

It was moved by Mr. West, seconded by Mr. Eastman, and unanimously carried to adjourn at 9:54 A.M.

Submitted by:



2/10/2017

Eric Kiefer, Plant Manager and Recording Secretary

Date