

MINUTES OF THE NEENAH WATER WORKS COMMISSION

Regular Meeting – May 20, 2019

The Hauser Room – City Hall

Present: President Kaufert; Commissioners: Smaby, Lang, Boyette; and Director Mach

Excused: Commissioner Schmeichel

Also Present: Assistant Comptroller Kahl; Jodi Dobson from of Baker Tilly Virchow Krause; Steve Armstrong and Chris Anderson from WE Energies

President Kaufert called the meeting to order at 4:33 p.m.

Approve Special Meeting Minutes for April 22, 2019 – Following discussion, **M.S.C. Boyette/Lang to approve the April 22, 2019 Special Meeting Minutes.** All voting aye.

Approve the Invoices for April 2019 – The Commission questioned invoices from Sabel Mechanical, Inc. and Badger Meter, Inc. Director Mach explained that the invoice from Sabel Mechanical was for the repair of the 30” Backwash pipe joints which were leaking within the plant. Director Mach indicated that the two invoices from Badger Meter were for the budgeted hardware and software upgrade needed to support the new meter reading system.

Following discussion, **M.S.C. Smaby/Boyette to approve the April 2019 invoices.** All voting aye.

Appearances – None.

President Kaufert requested the Commission adjust the order of agenda items to address items D., E. and F first. All voting aye.

WE Energies Easement 4243034 at 234 S. Park Avenue – Director Mach and Messrs. Armstrong and Anderson explained the underground electrical distribution easement request from WE Energies for the Water Plant located at 234 S. Park Avenue. This easement will allow for the redundant feed of the transformer located on the east side of the Plant as well as allow for future burial of the power lines located at the front of the plant. The Commission was concerned about the future rip-rap installation at the plant as well as the integrity of the intake. The WE Energies representatives indicated that the borings should not interfere with any future plant work. Director Mach indicated that he will have a Water Utility representative on site during boring to make sure plant assets are being protected.

Following discussion, **M.S.C. Smaby/Lang to approve WE Energies Underground Distribution Easement 4243034 at 234 S. Park Avenue.** All voting aye.

WE Energies Easement 4243040 at 568 Belmont Avenue – Director Mach and Messrs. Armstrong and Anderson explained the underground electrical distribution easement request from WE Energies for the lot located at 568 Belmont Avenue. The purpose of this easement is to construct a transformer on the northwest corner of the lot to serve the homes in and around the Belmont Avenue area. This easement will facilitate the system upgrade and burial of the electrical lines located on Belmont Avenue and surrounding areas. The Commission questioned if the boring operation will encounter any refuse. Messrs. Armstrong and Anderson provided brief details of the property exploration. No refuse was detected at the hydro-excavation point. The rock shelf appears to be solid about 3 ½ feet below ground level on the southwest corner of the property. Director Mach will have a Water Utility representative present during key points of the boring in order to protect Water Utility interests.

Following discussion, **M.S.C. Lang/Smaby to approve the WE Energies Underground Distribution Easement 4243040 at 568 Belmont Avenue.** All voting aye.

Water Commission Regular Minutes
May 20, 2019
Page 2 of 3

Final Payment for the Towerview Drive Elevated Tank Reconditioning Project – Director Mach presented the final pay request for \$11,049.50 from L.C. United Painting Co, Inc. for the Towerview Drive Elevated Tank Reconditioning Project. The Board of Public Works has voted to recommend approving this final payment at the April 23, 2019 meeting.

Following discussion, **M.S.C. Smaby/Lang to approve the final payment of \$11,049.50 to L.C. United Painting Co, Inc. for the Towerview Drive Elevated Tank Reconditioning Project.** All voting aye.

President Kaufert left the meeting at 4:50 p.m.

Utility Audit Report and Financial Statements – Presented by Jodi Dobson of Baker Tilly Virchow Krause and Assistant Comptroller Kahl. Ms. Dobson explained the annual audit process performed for the Water Utility. Ms. Dobson identified the deliverable reports associated with the 2018 audit. The reports include *Communication to those Charged with Governance and Management*, the *Financial Audit Summary*, and the *Report to The Water Commission*. Highlights of the *Communication to those Charged with Governance and Management* report include increased income for 2018, an increase in operating revenues primarily from industrial customers, and decreased operating expenses. The Utility's annual rate of return of 8.31% is the highest it has been in since 2012. The Utility has not had a water rate increase since 2011 and present operations should allow that trend to continue.

The *Financial Audit Summary* identified an increase of total current assets for 2018 and an increase in total current liabilities. Outstanding long-term debt has decreased. Additional reductions in long-term debt obligations will be realized at the end of 2021 as the 2001, 2002, and 2003 Revenue Bonds reach maturity.

The *Report to the Water Commission* showed an overall increase in water sales of 2% in 2018, an annual rate of return of 8.31%, debt coverage of 2.23, and increase in unrestricted funds on hand, with debt continuing to decrease. Overall, the Utility is in good financial shape.

The Commission questioned the "significant deficiency" statement regarding internal control over financial reporting. Ms. Dobson and Assistant Comptroller Kahl explained that, due to the timing of the audit, a trial balance is delivered to the auditors for the audit. This triggers the "significant deficiency" flag in the report. Ms. Dobson noted that there were no adjustments needed to the trial balance. This type of deficiency is less severe than a material weakness.

Assistant Comptroller Kahl presented the 4th Quarter 2018 Financial Report. The Commission inquired about the current state of the Utility long-term debt. Director Mach presented a listing of the long-term debt held by the Utility. The Commission acknowledged that the Distribution Expenses have increased significantly due to the Towerview Drive Tank Reconditioning Project.

Following discussion, **M.S.C. Lang/Boyette to accept and place on file the Utility Audit Report and 4th Quarter 2018 Financial Report.** All voting aye.

1st Quarter 2019 Financial Report – Assistant Comptroller Kahl presented the 1st Quarter 2019 Financial Report. The Utility is seeing residential and industrial revenue increase, while multi-family and commercial revenues are decreasing. The Commission questioned the increases and decreases in water treatment and pumping accounts. Director Mach explained that labor costs are being allocated to more appropriate accounts.

Following discussion, **M.S.C. Boyette/Lang to accept and place on file the 1st Quarter 2019 Financial Report.** All voting aye.

Water Commission Regular Minutes
May 20, 2019
Page 3 of 3

Director's Report –

1. Non-Billable Water Report: -1.82% (January, February, March) down from 1.94% (December, January, February).
2. Pay Request No. 3 for Chemical Storage and Feed Modifications project to August Winters & Sons, Inc. in the amount of \$97,117.35. This pay request was approved by the Board of Public Works at the April 23, 2019 meeting. Note: The original amount of this pay request was \$122,117.35. However, the Board of Public Works voted to withhold \$25,000.00 for the damaged Polymer bulk tank.
3. Pay Request No.1 for Contract 1-19 Miscellaneous Sewer and Water Main Construction and Street Construction on Caroline Street for \$93,280.50, Stevens Street for 88,753.75, and 5th Street for \$93,014.50 to Carl Bowers & Sons Construction. This pay request was approved by the Board of Public Works at the May 8, 2019 meeting.
4. Pay Request No.1 for Contract 2-19 Miscellaneous Sewer and Water Main Construction and Street Construction on Stanley Street for \$0.00, Stanley Court for \$0.00, and Thomas Court for \$192,983.00 to Robert J. Immel Excavating, Inc.. This pay request was approved by the Board of Public Works at the May 8, 2019 meeting.
5. Contract 4-19 Concrete Pavement and Sidewalk Repair was awarded to Sommers Construction on May 1, 2019.
6. Construction update: M&E Construction is beginning to install customer side services on 5th street. Stanley Court is nearing completion for water main construction.
7. The next Water Commission Meeting is scheduled for June 17, 2019.

Storm Water Report – None

Any Other Business That May Legally Come Before the Commission – None

Adjournment – M.S.C. Boyette/Lang to adjourn at 5:35 p.m. All voting aye.

Respectfully submitted,



Anthony L. Macn
Director, Neenah Water Utility