

Delafield-Hartland Water Pollution Control Commission

Meeting Minutes for Tuesday, May 24, 2022 5:30 PM

Commission Conference Room, Treatment Plant, 416 Butler Drive, Delafield, WI 53018

Call to Order: The meeting was called to order at 5:30 PM

Roll Call of Commissioners:

City of Delafield: Tim Aicher, Alderman, Chairman
Erv Sadowski, Citizen Member, Secretary
Wayne Dehn, Alderman, Alternate

Village of Hartland: Donna Dorau, Citizen Member
Dave Lamerand, Citizen Member (arrived 5:33 PM)
Robyn Ludtke, Trustee
Michael Meyers, Trustee, Vice-Chair

Also Present: Scott Luczak, General Manager
Rose Frick, Finance Director/Treasurer

Guest: Jodi Dobson, CPA, Partner, Baker Tilly US, LLP

Approve Minutes of March 15, 2022 Commission Meeting

Motion (Meyers/Dorau) to approve the Commission meeting minutes of March 15, 2022. Carried (6-0).

Finance Director/Treasurer's Report

2021 Delafield-Hartland Water Pollution Control Commission Audit Report (Communication Report to Commissioners and Financial Statements)

J. Dobson, CPA, Partner of Baker Tilly US, LLP was present via Zoom to provide input on their audit report for the Commissioners. She thanked the Commissioners for inviting her to present tonight. She added that the 2021 audit went very smoothly and she thanked R. Frick for all her efforts in providing the information that they asked for during the audit. The financial statements received an unmodified opinion which is the highest level of assurance that they can provide. It signifies that this report is a fair presentation of financial position and results of operation at year-end.

J. Dobson reviewed ratios that showed highlights of the financial statement data. She noted that the debt coverage ratio indicated the net earnings were adequate to cover the debt service by 2.0 times and ranged from 1.8 to 3.3 over the last five years depending on the investment income. The net position vs net plant ratio calculation was low at 8%; however, she could see that the plant was well maintained with the amount of capital improvements that were made so this low of a ratio was not a concern. The unrestricted funds on hand were reviewed noting that a recommended time frame of cash on hand is three months and the current ratio shows over six months are on hand to use for billings. The ratio shows a strong cash position and she pointed out that it has been drawn down in the last two years which is normal as maintenance projects are

undertaken over time. The days on hand ratio should be at least 60-90 days and the utility showed 365 days so there is ample cash on hand to cover operating expenditures.

J. Dobson stated that the other items that they are required to communicate to the governing body after an audit would be if there were concerns related to unique journal entries or transactions, changes in accounting policies or any disagreements with management. These items would be included in the report called Reporting and Insights from the Audit and this year there were no concerns to report. There were no adjusting journal entries this year and that lets you know that your records are reliable throughout the year. There is one item that they report relating to internal control which is there is no segregation of duties. She noted that this has been reported in prior years. A large portion of government organizations or about 90% of the government audits do receive this communication alert. Very few government entities have a large enough staff to prepare an audit report of this magnitude on an annual basis. The lack of a segregation of duties is relatively standard with a small organization of this size; therefore, she recommends heightened oversight by the Commission is needed.

D. Lamerand asked why 25% of the audit report is centered on the Wisconsin Retirement System (WRS) fund. That part of the report says a lot but it is very hard to understand. J. Dobson explained that the State of Wisconsin hires an actuary each year to do an evaluation of the liability that is outstanding to all of the participants in the WRS plan and that is compared to the assets in the trust fund at the state. In 2021, we are looking at 2020 numbers because the actuarial report runs a year behind due to the release of WRS data after their audit is complete. This year, the report showed that the assets in the WRS plan actually exceeded the liabilities so a pension asset shows up on the 2021 audit report in the balance sheet. That asset cannot be accessed for anything, but it does show that the WRS is well funded and the resources are there to make the payments to your retired employees on the plan. The only requirement is that you make the required payments to the plan that are a percentage of your payroll salaries. D. Lamerand then commented so there is no unfunded liability on the books at this time and J. Dobson answered that is correct. R. Frick added that she paid off the unfunded liability balance on the Commission's books in 2004. At that time, the Commission was charged 8.0% interest on the balance each year and she noticed that with a high interest rate the balance would not be paid off for a long time. (The interest was about \$6,000 a year on a liability balance that was just under \$75,000). After she talked to the Baker Tilly (Virchow Krause) partner, John Andres about paying off the liability and how much the annual interest was, a large number of Baker Tilly clients started paying off their own unfunded liability balances.

M. Meyers commented that the audit results report has a lot of boiler plate phrases about the inadequate segregation of duties and about lacking the ability to prepare a complete financial audit report with footnotes. He was wondering why there are all these cautionary comments and yet the audit partner says that the Commission is doing a good job. J. Dobson answered that Baker Tilly is required to communicate with the Commissioners as part of the auditing standards about this weakness in the organization structure of one person completing all the accounting duties and reviewing all of the accounts. The Commission needs to check the financial statements and keep watch on the expenses that are approved each meeting so they are always providing extra oversight. J. Dobson did not recommend adding staff purely to segregate duties, but she is required to make the Commission aware of this issue. J. Dobson said she could possibly take a look at making the wording in the audit report less boiler plate next year.

T. Aicher questioned whether there is a best practice that is not already being undertaken that could mitigate this negative factor. J. Dobson has seen some groups hire an out-source person to do periodic reviews and reconciliations. However, if your governing board is comfortable with the financial information and reports that are presented and you know that your expectations are being met, then it would be an unnecessary extra cost.

M. Meyers stated that he was still frustrated and wished that we could get a report that says we are doing a good job because Scott and Rose work so well together. He asked how many other facilities such as ours that you review have the financial status that we do and have not had to ask for extra money from any of our communities. Even though our facility has put in about \$23 million in improvements and still have money left over. He thought that was amazing especially since the State of Wisconsin keeps coming back to take more of our money. He thinks Scott and Rose should get more credit for the efforts that they are doing with the plant. J. Dobson agreed that we have good pro-active planning and your team has done a great job of that as well as the Commission. She added because you are small you need that additional oversight from the governing body and so she is required to communicate that to the Commission.

Financial Statements (March and April 2022)

Copies of the latest month's financial statements with comments were provided to the Commissioners before the meeting. R. Frick pointed out one of the comments about the Commission's balance sheet describing it as a "clean balance sheet" meaning the balance sheet has little or no debt. The debt-to-equity ratio is now at 4.1% due to last month's payment to the Clean Water Fund loan with 100% as the standard for most entities. She explained that a clean balance sheet combines healthy liquidity with minimal leverage which allows for financial flexibility to fund operations and meet financial obligations.

R. Frick sent out copies of two emails from her financial advisor, Tony Consiglio at Robert W. Baird that had comments on the current market volatility and advised that "our portion is on the income side that continues to pay us interest and dividends on a regular monthly basis" and "to stay the course". Our financial advisor discussed the negative fair value adjustment and advised her to look at the par values of the bonds because he believes that the fair value adjustment is set about \$600.0 thousand lower than it really should be. The fair value adjustment is a negative \$1.6 million now; however, the Commissioners should keep in mind that our bonds are kept until maturity when the full-face value will be received. Her analysis of the current par value of our unrestricted and restricted bond portfolios revealed average par values of 100.97 for the unrestricted bonds and 99.84 for the restricted bonds. She noted that the bond par values are staying close to face value or 100.0 which is the value at maturity. She added that most of the bonds purchased in the last several years had included additional insurance which makes the bonds even more secure. R. Frick discussed some of the other financial highlights from the last month and answered several questions for the Commissioners.

Approve Expenses and Transfers (March and April 2022)

The last two months of expenses and transfers were provided to Commissioners before the meeting. There were a few questions and some discussion on these items.

Motion (Ludtke/Dorau) to approve the expenses and transfers for March 2022. Carried (7-0).

Motion (Meyers/Ludtke) to approve the expenses and transfers for April 2022. Carried (7-0).

Commission Matters

Rotation of Commission Chairperson Position between the Two Owner Municipalities of the City of Delafield and Village of Hartland

T. Aicher thanked R. Frick for preparing a history document of all the Commissioners that have served and the Officers that have been elected over the last fifty years. He asked if there was any stipulation in the original ordinance to create the Commission that the Chair and Vice-Chair should be from the opposite municipality. R. Frick answered that she thought the Enabling Ordinance was silent on who should serve as Chair and Vice-Chair for the Commission, but she will investigate it.

T. Aicher stated that it was his opinion that it is significant enough to be codified that the Commission have the Chair and Vice-Chair from different municipalities. He added; however, when it comes to mandating that the Chair or Vice-Chair move from one municipality to another based on the number of years served versus what is working well for the Commission then he would not be in favor of that change. He explained that sometimes there is more turn over in one municipality than in the other municipality and that one municipality might have more members with tenure and history on the Commission. He added that someone with more tenure and history with the Commission needs to be the Chair or Vice-Chair.

D. Lamerand thanked R. Frick for putting the schedule together of the Commissioners' history. He stated that he was not aware of what was in the by-laws and how the Commission was set up in regard to the Officers of the Commission. He thought that it would be something that needs to be looked at by the members. R. Frick stated that she has looked at the Enabling Ordinance quite a few times over the years and she did not see any stipulation that dictated what municipality should have their members serve as Chair and Vice-Chair. She added in looking at the minutes throughout the fifty years, the Chair was always elected first and the Vice-Chair was then chosen from the opposite municipality by the Commission members. Sometimes two people were nominated from each municipality for the Chair position; however, then one of the nominees would withdraw their name and support the best candidate for the Chair position. She commented that the Chair and Vice-Chair were almost evenly matched over the fifty years with members from Delafield serving as Chair for 26 years and members from Hartland serving as Chair for 24 years. The Vice-Chair was always nominated and chosen from the opposite municipality. She added that both municipalities seemed to work well together over the years to choose the best candidates for their Officers. M. Meyers commented that the municipalities would make a verbal agreement over the years on who would be the best candidate for the Chair and Vice-Chair positions. D. Lamerand stated that he would like to see that the Chair and Vice-Chair are from different municipalities and that there should be a two or four-year term starting in 2023. D. Dorau commented that the Chair position should not be changed to the other municipality just because the term is over especially if there is a member serving as the Chair that has been doing a great job and is the best candidate for the Chair position. There might not be a member on the other municipality that can commit or have as much history with the Commission as the current Chair. She does agree that the other municipality should then have a member serve as the Vice-Chair so it is fair. E. Sadowski added that he has seen for the last ten years that the current system seems to be working well and if it is not broken why try to fix or change it. T. Aicher stated that the Commission has been a success story of collaboration and it has worked very well over the years. He does not see a problem with codifying the current system and it works with each municipality being involved in the bigger decisions as Chair and Vice-Chair.

R. Ludtke commented that she appreciated R. Frick putting together the history of the Commission's Officers that had served and now we have that knowledge. However, she added that the current system is not broken and works well. If we start documenting what should happen then we might not be able to do what needs to be done because there will be an ordinance dictating the action to be taken. Our founding fathers were wise to give the Commission the freedom to proceed with whatever action is best for the Commission at any particular time without a lot of restrictions. T. Aicher asked that a copy of the Enabling Ordinance be shared with the Commissioners at the next meeting so that the Commission can review it and decide if any changes need to be made.

Election of Commission Officers

Motion (Sadowski/Dorau) to nominate T. Aicher for Chairman of the Delafield-Hartland Water Pollution Control Commission. Carried (7-0).

Motion (Lamerand/Aicher) to nominate M. Meyers for Vice-Chair of the Delafield-Hartland Water Pollution Control Commission. Carried (7-0).

Motion (Dorau/Meyers) to nominate E. Sadowski for Secretary of the Delafield-Hartland Water Pollution Control Commission. Carried (7-0).

General Manager's Report

Extension of Sewer Service Area for Hartland Gun Club / City of Delafield

S. Luczak stated that the City of Delafield has requested that the Commission approve an extension of the sewer service area to include the Hartland Gun Club land located on the south side of Maple Avenue and Golf Road. He commented that our sewer system has plenty of room and he has no problem with the Commission updating our sewer service area to include that land. He asked for a motion to just approve the extension so we can send a letter to Southeastern Wisconsin Regional Planning Commission (SEWRPC) and the motion has nothing to do with any expenses. Once they start the building process then they would have to come back to the Commission for a sewer extension approval. E. Sadowski asked if the City of Delafield was going to pay any costs and T. Aicher answered that the City of Delafield was not going to pay anything for this extension of the sewer service area.

Motion (Meyers/Sadowski) to approve the extension of the sewer service area for Hartland Gun Club in City of Delafield. Ludtke abstained. Carried (6-0).

Sewer Extension for Nagawicka Heights / City of Delafield

S. Luczak asked for approval of a sewer extension for the subdivision of Nagawicka Heights in the City of Delafield. The subdivision will be built right off of Nagawicka Road which is west of Highway 83. It will be a 29-lot subdivision connecting to the City of Delafield's local sewer system just west of the subdivision and it will convey down to our interceptor sewer that has plenty of space for the flow. Discussion ensued.

Motion (Sadowski/Dorau) to approve the sewer extension for Nagawicka Heights subdivision in the City of Delafield. Carried (7-0).

Update on Biological Phosphorus Removal Construction Project

S. Luczak reminded the Commission that at the last meeting he mentioned getting an estimate from the Strand engineers for high efficiency blowers to be included in the construction project. It would be cheaper to replace the blowers now than in a few years when the new blowers would be needed anyway. He asked the engineers for a quote and they figured an additional cost of \$54,000 to include the design of high efficiency blowers in the new facility plan. He called T. Aicher and M. Meyers for approval and they both agreed that he should go ahead and sign the change order. The change order is an addendum to the original engineering contract of \$260,900 which now has a total engineering cost of \$314,900 for the project. He added that the new blowers will raise the construction costs by about \$850,000 for the new high efficiency blowers and controls. The controls will be put in the basin so the software can control all of the different zones to be more efficient for electricity.

S. Luczak noted that the original subtotal for the construction project with contingencies and technical services in fourth quarter 2021 dollars was \$5.05 million. The new estimated subtotal for the construction project in third quarter 2022 dollars is now \$5.39 million. When the final design and estimates are put together in the near future, we will need an approval for the new construction project to move forward.

R. Frick stated that she would like the Commission to make a motion to approve the new engineering change order of \$54,000. T. Aicher clarified for the Commission that he asked S. Luczak to get the \$54,000 change order in writing from the engineers. Then he and M. Meyers discussed it and agreed that S. Luczak should sign the change order that would bring the engineering contract to a total cost of \$314,900. He asked if there were any more questions or discussion and if not, he asked for a motion to approve the change order from the Commissioners.

Motion (Sadowski/Dorau) to approve the change order of \$54,000 to the engineering contract to include the design of high efficiency blowers in the new facility plan. Carried (7-0).

S. Luczak informed the Commission that the engineers had given him a crazy new schedule and he told them that would not work. An updated schedule was provided by the engineers and the facilities plan has been completed and submitted to the Wisconsin Department of Natural Resources (WDNR). That part is now done and he is pushing to get the design and the approvals from the WDNR by August of this year. He plans on putting the construction project out for bid in September with a start date in November. He added that he hopes everything will progress faster than that with a start date in October. Discussion ensued. T. Aicher asked for a one-page brag letter from the engineers to update both communities on the progress of the construction project for their respective newsletters to our sewer customers. E. Sadowski added that a construction timeline would be a good addition to the letter.

Resolution No. 052422 Re: Compliance Maintenance Annual Report (CMAR) for 2021

All areas of the Compliance Maintenance Annual Report (CMAR) had received an "A" rating. S. Luczak shared average flow rates and precipitation data with the Commission. The average daily influent flow rate for last year was 1.900 million gallons per day and the daily effluent flow rate was 1.859 million gallons per day.

The precipitation total was lower than last year with 32.34 inches and the average in the area was 39.0 inches. The year before the precipitation was 42.0 inches. There was less rainfall last year. Haulers provided an average of 29,465 gallons per day based on a five-day work week. This is a decrease of 15,247 gallons per day from the prior year. The average phosphorus for last year was 0.69.

M. Meyers asked why there was such a decrease in hauling gallons and S. Luczak answered that there were two reasons for the decrease. Haulers are going to other facilities and Waukesha County changed pumping requirements for residential households from every two years to every three years for pumping septic tanks. Fees are basically the same and the Commission is actually cheaper than some of the other facilities. Now with higher fuel prices, some of the hauling trucks are now coming back and using the closer facilities like the Commission to dump waste.

Draft Resolution 052422 Re: Compliance Maintenance Annual Report (CMAR) for 2021 was read into the record at this time.

Motion (Ludtke/Meyers) to approve Resolution No. 052422 Re: Compliance Maintenance Annual Report (CMAR) for 2021 as presented. Carried (7-0).

Next Commission Meeting and Agenda Items – No Discussion of Requested Items

1. Review and Discussion of Enabling Ordinance – An Ordinance to Create the “Delafield-Hartland Water Pollution Control Commission” and to Contractually Establish a Treatment Plant and Operation Thereof.

Adjourn Commission Meeting

Motion (Lamerand/Dorau) to adjourn at 6:38 P.M. Carried (7-0).

Respectfully submitted by:

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