

TOWN OF WATERFORD SANITARY DISTRICT NO. 1
UNOFFICIAL/UNAPPROVED MINUTES

The following minutes will remain unofficial/unapproved due to Commissioner Block's resignation before approval.

July 31, 2012

Commissioner Gerard called the special meeting to order at 10.00 a.m.

Commissioners Present: Commissioners Gerard, and Block
Commissioners Absent: Commissioner Santaga
Also Present: Administrator Debbie Nelson

New Business

1. Discussion & possible action regarding the District's finances.

Commissioner Gerard stated he wanted an opportunity to provide Treasurer Commissioner Block with some history regarding the District's finances and how long prior to himself becoming a Commissioner the District was financially "in the red." Commissioner Gerard presented and explained two documents prepared by Bob Kabitzke, the District's auditor. The first being a Town of Waterford Sanitary District Cash Flow 2003-2011 Unrestricted Operating Cash graph showing each year's declining operating cash on hand, rate increases (if any), along with a notation on the graph that without the increases in 2006-2009 the operating cash would have been in negative territory in 2009. The second was the Town of Waterford Sanitary District Cash Flow 2003-2011 showing operating cash and the DNR Account for total cash, billing collected, connection fees, interest income, operating expenses, fixed assets purchased (net) and the resulting cash flow, or lack of it, for each year. Charts compiled from June 2005-May 2010 were also explained showing the decreasing operating cash by presiding treasurer. Official Minutes from April 13, 2005, January 23, 2006, February 08, 2006, March 08, 2006, July 12, 2006, September 13, 2006, October 11, 2006, April 11, 2007, July 11, 2007, September 12, 2007, August 13, 2008, September 10, 2008, April 14, 2010, May 12, 2010, June 09, 2010, July 14, 2010, August 11, 2010, December 08, 2010, and March 09, 2011 that pertained to the District finances were reviewed and discussed. The Official Minutes documented through the years the increases from Western Racine County Sewerage District (WRCSD) for the treatment of sewerage, inflationary increases, connection fees decreasing, and Administrator Nelson's comments of how she could not pay the bills; however the user rates were not increased. In the March 08, 2006 Official Minutes, former Commissioner Ciesielski explained the financial position the District had been in since 2001 including the yearly profit/loss. Ciesielski emphasized in eighteen (18) years the user rates have never been increased, but had actually decreased twice (original user fee was \$85.50 which was then reduced to \$75 and again to \$66.00) along with the elimination of the tax levy. The September 12, 2007 Official Minutes refer to the \$500,000 balance that Kabitzke determined by an accounting formulation to be kept on hand to cover short falls in income. Administrator Nelson explained it was the Commissioner's plan to spend the District's money until it was lowered to \$500,000, however the funds had continued to decrease below this amount with more being spent than being brought in, and in fact money was being borrowed from the Replacement Fund to cover operations and maintenance expenses. The May 12, 2012 Official Minutes show the Commission voting in favor of having Ruckert-Mielke conduct a Sewer User Rate Study to help in determining what user fee increase would be adequate to meet the District's financial needs. The June 09, 2010 Official Minutes reflect Commissioner Gerard stating since newly appointed to the position of treasurer he met with Administrator Nelson to discuss the finances. At the commissioner meeting graphs were introduced showing the decrease of funds from June 2005-May 2010 by presiding treasurer. Commissioner Gerard stated he was absolutely astounded at the depletion of funds and the financial position the District was in and read official minutes where Administrator Nelson continually comments about the decreasing funds, the funds falling below the agreed upon minimum balance, stating we are out of money, something needs to be done, and her concern of how to pay bills, however the presiding treasurers did not take any action to stop the hemorrhaging but instead there seemed to be an agreement to use up the money so the town chairman could not accuse the District of having money. Commissioner Gerard said this has to stop as our expenses are more than the revenue brought in. Kabitzke agreed that previous to Gerard becoming a Commissioner it was decided to use up much of the cash on hand, however it did go too far. He said there were small incremental rate increases that the Commissioners felt would be more palatable to the users, however too much emphasis was put on receiving connection fees to bring in the remaining revenue which did not happen. Commissioner Block said what was concerning is this meeting was the

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first point in time anyone was recognizing seven (7) years worth of financial disasters. The Official Minutes from the July 14, 2010 meeting document Jon Cameron from Ruekert-Mielke presenting the Sanitary Sewer User Rate Comparison which compared the District's current user rate with other communities, the Sanitary Sewer User Rate Study – Cash Based Method, Sanitary Sewer User Rate Study – Utility Based Method, and Sanitary Sewer User Rate Study – Replacement Fund Analysis. These reports had been compiled using the District's information obtained from the Town of Waterford Sanitary District No. 1 Adopted 2010 Budget, Waterford Sanitary District No. 1 2010 Equipment Replacement Schedule, and Town of Waterford Annual Report, September 31, 2009. A user rate increase of 34.8% was recommended using the cash-based method and a 51.1% increase based upon the utility-based method. The Commissioners had requested and received an email from Kabitzke with his opinion of what user rates would need to be increased to in order to have a positive cash flow. Kabitzke stated without considering depreciation or connection fees the user rates would need to increase 16.85%, which did not include any funding or catch-up funding of the replacement fund. Duane Erickson, previous Operations Superintendent, said Rochester had increased their user fees from \$80/quarter to \$120/quarter without any explanation. Administrator Nelson had pointed out that several years ago she suggested an 18% rate increase due to what the O&M required, not taking into consideration the replacement fund, and the Commissioners only raised the rates 6.9%. The minutes state this has had a continual snowballing effect that has now caught up. Administrator Nelson asked the Commissioners to give the rate increase some serious thought to get the District back to being whole and financially sound. At the August 11, 2010 meeting Kabitzke stated an 18% user fee was the minimum needed for the district to break even or come close to it. Commissioner Gerard and Administrator Nelson presented graphs showing over the years the decrease in connection fees, a comparison of WRCS and WSD rate increases, and a user rate comparison with other communities. Kabitzke added the decrease in interest income and inflation being additional factors. The Official Minutes from the August 11, 2010 meeting reflected a rate increase of 19.6% with former Commissioner Ciesielski opposed. Commissioner Block stated it is very unfortunate that the present Commission and the reputation of the District have come under such extreme fire causing irreparable harm because it is standing up and, in her opinion, doing its duty when in fact there have been seven (7) years that red flags were popping up and things should have been addressed. Commissioner Gerard referred to the timing of him becoming a Commissioner the 'perfect storm' as he is being blamed for the increase in rates. Commissioner Block thanked Commissioner Gerard for sharing the history of financials with her. Commissioner Block felt it was unfortunate that no one from the public or press showed up for the meeting as the only things that have gotten out to the newspaper and community are those that are incendiary, none of the positives or problems for which solutions are trying to be found. She would like to see a way for the information to get to the public, perhaps a position paper, setting out the fact that there is not any lawsuit, legal fees were not the direct result of issues with the lease, and setting the record straight regarding the last mass communication that went out stating the Commission was needlessly spending money on lease issues when the work could be done by themselves even though the Commission tried to communicate with the Town Board and were turned down. The user rates did not increase because of employee salaries and legal fees; there were increases in cost of living, healthcare costs, WRCS fee increases including paying 12 ½% to WRCS on behalf of the Village of Rochester for their bill, cost of materials increasing for years without increases in user fees. Commissioner Gerard apologized for not bringing this information to Commissioner Block's attention sooner as he felt she would have understood and stood up for his position.

Account Payables

Motion made by Commissioner Block, seconded by Commissioner Gerard to approve the accounts payable. All in favor. Motion carried.

Motion made by Commissioner Block, seconded by Commissioner Gerard to adjourn at 11:15 a.m. All in favor. Motion carried.

Respectfully submitted,

Debbie Nelson
Administrator