

**VILLAGE OF PLEASANT PRAIRIE
PLEASANT PRAIRIE VILLAGE BOARD
PLEASANT PRAIRIE WATER UTILITY
LAKE MICHIGAN SEWER UTILITY DISTRICT
SEWER UTILITY DISTRICT "D"
9915 39th Avenue
Pleasant Prairie, WI
January 12, 2006
7:00 p.m.**

A Special Meeting of the Pleasant Prairie Village Board was held on Thursday, January 12, 2006. Meeting called to order at 7:00 p.m. Present were Village Board members John Steinbrink, Alex Tiahnybok, Steve Kumorkiewicz, Jeff Lauer and Mike Serpe. Also present were Mike Pollocoff, Village Administrator; Jean Werbie, Community Development Director; Kathy Goessl, Finance Director/Treasurer and Jane Romanowski, Village Clerk.

1. CALL TO ORDER

2. ROLL CALL

3. NEW BUSINESS

A. Receive 2006 Budget Submission Reports from Village Administrator:

- 1) LakeView RecPlex**
- 2) Pleasant Prairie IcePlex**
- 3) Sewer and Water Utility**

Mike Pollocoff:

Mr. President, tonight we have the two enterprises that we're presenting. The first one is the recreation enterprise which consists of RecPlex and IcePlex. Following that we'll have the utility enterprise which is water and waste water. If you remember back we started to presented the waste water enterprise last year, but we were waiting on a rate adjustment from the Kenosha Utility and it's been up in the air, so we're going to go ahead and run with that as it is. So we'll start with Cathi Klaver, the Recreation Director make her presentation on the recreation enterprise, on RecPlex and IcePlex.

Cathi Klaver:

Hi, good evening Mr. President and Trustees. I'm here tonight to present the 2006 budget presentation for the recreation enterprise fund. I have with me Kathy Goessl, the Finance Director. I will be handling the majority of the presentation, but when it does get to the financial sides and some of the more detailed financials I will be passing it over to Kathy.

The first slide I'd like to start with is just reflecting a little bit on the vision of the park, and I think it's important to--these are some important milestones that I don't think anybody from the Village saw it possibly 20 or 25 years ago that we would have such an amazing recreation complex as we do out at Prairie Springs Park. And it was about two decades ago that the Village

Board dared to dream of the possibilities of the park. Approximately one decade ago the Village Board, along with the Park and Recreation Commission at that point, began the planning process to create a self-sustaining community recreation complex.

In October of 2000 the Village administration presented to the citizens of the community the LakeView RecPlex, an impressive, state-of-the-art family recreation and fitness facility. In October of '04 the Village proudly opened the doors to the sister facility, the Pleasant Prairie IcePlex, which is a community-based, twin sheet ice arena.

The scope of the operation consists of what the recreation department oversees which is the year-round, daily operation of the RecPlex, the IcePlex, the Village Edge Pro Shop, the Skate Bar & Splash Bar, as well as the Lake Andrea Beach operations which are seasonal. All community-based recreation, fitness, sports and outdoor leisure programming, as well as instructional ice programs and special events, are all managed by our department in this division. The department is operated as an enterprise fund whereas no tax dollars are used to support operational expenses, capital expenditures or debt service for either facility.

We believe that our role and mission for our department and for our facilities is that they were designed to enhance the quality of leisure services and recreational offerings to the surrounding communities, as well as Pleasant Prairie, primarily Pleasant Prairie and the surrounding communities. RecPlex and IcePlex operations, and the programs and services offered, make up the Village's Recreation Enterprise 605 and must be 100 percent self-sustaining. RecPlex and IcePlex operate solely on user fees and ancillary revenue sources with no assistance from the Village general fund. All capital expenditures and debt payments must also be covered solely by user fees and donations.

The guiding principles that we have defined as a department consist of the following: We need to ensure that our facilities, programs and services, as well as events, enhance and improve the quality of life for the residents. To provide safe, clean and 100 percent accessible facilities to people of any age, race, gender or ability. We need to offer the residents of the Village and the citizens of the area a comprehensive array of quality recreation, fitness and leisure programming year-round. We must maintain high standards of customer service by treating our members and guests with dignity and respect at all times, as well as to be responsible stewards of the environment while fulfilling our role and mission in the community.

Our department manages two very impressive facilities, one, the original facility, is the RecPlex. This slide depicts some of the facility features. Obviously, the facility was built in 2000, and the Village does believe as I think all of us do is that it is the crown jewel of the community. It's a \$16 million family recreation and fitness facility. It's a focal point for family and community activity. Our department manages and develops and oversees over 400 programs and classes that are offered year-round.

RecPlex and Prairie Springs Park are also host to many regional and national special events. I've listed a few here. We've been partners with the Special Olympics Polar Plunge for many years. We have a successful relationship with the Danskin Women's Triathlon. We continue the tradition of Prairie Family Days. We also host and manage a very successful triathlon of our own, and we have also partnered with a national wakeboarding championship, and those are just

to name a few of the events that we host out at the park and by our department.

This slide shows some of the features for IcePlex. It's a \$10 million community-based ice arena and the sister facility to RecPlex. 70,000 square feet, two NHL-sized ice sheets. It has seating capacity of approximately 1,000 or a little more. There are eight team rooms or locker rooms. We oversee two party and community rooms, as well as a full service concessionaire and pro shop. We maintain 600 pairs of rental skates. And the programs that operate out of this facility include instructional programs for figure skating and hockey, ample public skating, as well as special events that are local, regional, as well as national tournaments and ice shows.

Another aspect of our division that we manage is Prairie Springs Park, the operations with the park and Lake Andrea. The department manages the beach and all recreation programming that take place in the park. We work cooperatively with the parks department to utilize, maintain and rent all park amenities. And our department also works cooperatively with public works, our police and fire and rescue to ensure safe operations of all Village park facilities.

This slide shows a little bit about our membership demographic. As you know and you will see in subsequent slides, that membership revenue is a very large portion of our revenue. Through December of '05 we are proud to say that we have 12,573 members or pass card holders. We serve 4,448 households throughout Kenosha County as well as northern Illinois. The breakdown of those memberships are 29 percent Pleasant Prairie residents; 51 percent of our members are from Kenosha County or Kenosha County residents; 9 percent are Illinois residents; and 11 percent make up our corporate membership group.

The ages that we serve within the RecPlex are 36 percent are families with adults between the ages of 20 and 44; 31 percent children, youth and teens; and we also serve the adult market 33 percent of our user group between the ages of 45 plus. We're proud to share that over 1,200,000 visits annually to RecPlex by members, class participants, spectators and day pass visitors. That is a lot of people moving through the park on one year. In 2005 we also calculated that we hosted 1.5 million visitors annually collectively between the park and RecPlex as well as IcePlex.

Another large portion of our operating revenue comes from the programs that we offer. The recreation enterprise successfully produces and manages over 400 programs and classes each year. And in 2005 we served 29,854 program participants. I'm going to share a few slides that I think are very valuable, and we'll go through these quickly, but it helps understand the depth of our programming. In our youth sports area these are the sports that are offered: basketball, flag football, boy's baseball, girls fast pitch, softball, t-ball, indoor and outdoor soccer, martial arts, racquetball, sports camps, sports tournaments.

Our adult sports offerings include basketball, indoor soccer, racquetball, softball for men, women and co-ed leagues, volleyball for coed, competitive and rec, martial arts, as well as some miscellaneous special interest programs for adults. Our aquatic programming and services include our learn-to-swim program from infant through adult; we offer private swim lessons,

lifeguard training, water fitness classes in the aquatic center. We host many, many birthday parties, lots of field trips through the school systems in the area. We have many group rentals throughout the pool as well as special interest programs.

In our fitness area we have various different fitness programs and wellness services and they include group exercise, group fitness training, personal training, massage therapy, youth and teen fitness, pre- and post-natal exercise, triathlon training, fitness assessments, body composition analysis, member incentive programs, blood pressure screenings, fitness technique seminars and personal wellness seminars.

We are also very proud of our therapeutic recreation division. This division serves the individuals with special needs and provides a safe and affordable option for recreation and leisure services as well as child care which ultimately enhances the quality of living for this population. The programs include before and after school care, summer day camp, daily living skills, social skills, art exploration, Friday night out, a program that is geared toward the parents of our special needs children to give them a break from their care. We offer private swim lessons through our therapeutic rec program and personal training as well as respite care.

Through our youth and family department we offer baton, dance, sports skills, tumbling, babysitting, as well as computer education. As you can see, the facility gets lots of use and we certainly try to utilize the space that we do have by offering childcare services as well which utilizes the space during the day and serves the after school market and our school age childcare market. We have successfully launched and have a growing pre-school U program which is a pre-school program geared towards ages two through five. We have a very successful before and after school program, a summer day camp as well as school days off.

Not only do we have many programs and facilities that we share, but we also offer our members and guests a multitude of various different services that are managed by our department. Day passes, public skating and beach passes and drop-in childcare through kid's court and lil' tykes. Again we manage actually four concessionaires year-round: the Splash Bar, the Skate Bar, as well as the Lake Andrea concessions at the beach as well as the ball field pavilion, and then we also have two remote ball field stations that we send out during our youth sports peak activity during the summertime.

New in 2006 we'll be offering locker rentals. We manage merchandise sales within the facility. We do a multitude of facility rentals for private user groups. We manage the Village Edge. The boat rental out at Froggy's landing. We also oversee beverage and snack vending and those contracts within our facility as well as in the park. We offer equipment rental, skate sharpening services. We have the Porch which is a youth drop-in center inside RecPlex. And new in 2006 we'll be offering our RecConnect program which is WiFi services or wireless internet to our members and for a nominal fee to nonmembers and guests.

We also manage a variety of special events that are in integral part of any recreation department. We'll be offering a Monte Carlo night. We have our candy and egg hunt which is our Easter event. It's been a longstanding tradition in the Village. We also manage seasonal walk/runs. Again, the Danskin Women's Triathlon will be entering it's fifth year in a partnership with the Village and Prairie Family Days. Our fifth annual Pleasant Prairie Triathlon will be this year.

We will be going into our third or fourth year with our walk-n-wag event. And we acknowledge our RecPlex and IcePlex anniversary every year. We will be offering a corporate cup to the corporate community in the fall. We have our Halloween Fest, our breakfast with Santa, as well as our New Year's Eve event, all of which are geared towards healthy lifestyle, active living and predominantly family activities.

With the new facility in IcePlex, I felt it important to also communicate some of the variety of instructional programming that IcePlex offers, all of which are community based and also include special events. We have, again, ample public skating, learn to skate instructional program as well as learn to play hockey. We have a very thriving synchronized skating program, youth and adult hockey, broomball, freestyle buy on over at IcePlex, hockey buy on, team nights and lock ins, ice shows and competitions, as well as hockey tournaments.

The rentals, camps and clinics that are offered at IcePlex consist of contracted rented ice, figure and hockey skate rental, the Village Edge Pro Shop, the Skate Bar, skate sharpening, field trips, hockey camps and clinics, figure skating camps and clinics. We'll be offering a new recreational day camp this year to utilize non seasonal ice time. They've handled close to 150 birthday parties at IcePlex since they opened in 15 short months, and we also offer video sales and production.

A vital part of RecPlex and RecPlex membership is the partnerships that we have made with our corporate members and I've listed them all here, many of which have been with us since we opened, but we feel that we have very successful relationships with them and they make up a significant portion of our membership. Abbott Laboratories, Alfa Laval, Blue Line Hockey, Cancer Treatment Centers of America at the Midwestern Regional Cancer Center, Cherry Electric, Grand Appliance, Hospira, Jelly Belly, Lawter, Pepsi Americas, Rust-Oleum, Snap-On as well as Zion Township.

On the IcePlex side contracted user groups are a very important aspect of revenue generation and the sales of rented ice. IcePlex has been successful in developing and maintaining working relationships with the following groups: The Blue Line Hockey Club based here in Kenosha and the Kenosha Komets; Warren Hockey Club out of Wadsworth, Illinois; the Lake County Atoms Hockey Club; Libertyville and Vernon Hills Hockey Club that's a combined club; Midwest Girls Elite Hockey Association; Southport Skating Association; as well as Antioch Hockey Club.

Another revenue source for both facilities are business opportunities that entail sponsorship packages as well as advertising opportunities for business partners. And some of these opportunities include facility naming rights over at IcePlex as well as RecPlex; a scoreboard sponsorship; dasher board and banner advertising available; we have a variety of special event sponsorship packages that we manage. We've managed youth sports sponsorships for many years. We also have an internal advertising program that we call value-added that we offer up to our business partners who are interested in utilizing our internal television environment to tap into our many, many consumers that we have in there day-to-day and year-round. We offer Play By Play Advertising that is very successful in offsetting the printing costs for our quarterly

publication. We also manage agreements with service partners such as United Hospital Systems that rent space from us upstairs for physical therapy services. We oversee the contract with Lakeside Common Grounds as well as a long-term official beverage contract with Pepsi.

This slide is an overview of the organizational structure and the reporting structure for our department. Obviously the upper green squares are the administrative structure starting with the Board, the Village Administrator, myself and the Assistant Director. I'd like to draw special attention to the nine colored blocks at the bottom that are the divisions within RecPlex that make all these programs and services and events and the management of our facility happen. Those nine departments include an in-house marketing department, guest services, our facilities division, sports, aquatics, fitness, therapeutic recreation, youth and IcePlex. And then underneath that is our departmental support staff which is primarily our part-time staff.

The personnel breakdown for the recreation division and half of the Village's payroll include 32 full-time staff members, as well as approximately 180 to 200 part-time staff year-round. That part-time number will fluctuate based on seasonal employment for our summertime, specifically for covering the lifeguards at the beach as well as our summer day camp program for both RecPlex and IcePlex. And then there's a breakdown of where those employees are assigned, RecPlex having 26 full-time staff, 144 approximately part-time staff. IcePlex has six full-time and 36 part-time.

Another part of our budget and an expense are is also the fact that we receive support from other Village departments to manage this very complex and large operation. And the Village requires that the enterprise compensate the general fund for all resources that are utilized by our department. Therefore, we have what we call a charge-back summary and that is listed in the budget, and we receive those charge-backs from our finance department which are based on estimated hours of finance and accounting support. We receive charge-backs from human resources based on the percentage of full-time and part-time employees. The IT department charges us based on the number of computers that are supported by that division, and then we have an annual allocation for the leadership and direction and management that is offered through Village administration.

AS part of the budget process you know that all departments are asked to define specific and measurable goals and objectives. Being as we have nine divisions within our department, I've taken what I believe to be the most important from all divisions and condensed them down into a couple of primary goals for our department. They certainly are not all of them. I would probably have ten slides up here if I really analyzed each division, but I've pulled the most important out and will share them with you now.

As a department, it is our goal to meet or exceed quarterly net revenue projections for all divisions. It is our goal to stay within or under quarterly expense projections for all divisions. It's very important that we maintain or exceed a 70 percent membership retention rate which is the national average, and we consistently rate slightly higher than that for our membership retention percentages. It is our goal to increase our number of corporate members by two per quarter. It is also our goal to ensure the quarterly financial targets are met or exceeded for our advertising program and our sponsorships. We plan to complete and update standard operating procedures manuals for all departments. As you know, we manage a lot of people and it's

important for employee retention and people to be able to their jobs well that we have solid working manuals for all work stations and work areas. Many divisions have their first revisions completed, and we hope as a group we can say by the end of the year all areas have an SOP to follow.

In conjunction with the HR department it is our goal to complete 100 percent of performance management reviews for all full-time and part-time employees. We hope to meet or exceed all projected program participation targets for all programs and for all sessions. We hope to establish and maintain at IcePlex an active figure skating club and adult hockey program. Our marketing department one of their goals is to continue our website development enhancement including measuring its efficiency or effectiveness quarterly. In our special events area we plan to develop and manage five new revenue generating events.

It is our hope as a department to--we have hosted and managed many interns throughout the years, but because our facility is becoming wider known and we are developing working relationships with probably five or six universities at this point seeking internship opportunities within our department, we hope to develop a comprehensive program that all departments and all divisions can follow so the interns can be utilized to their greatest capability as well as receiving a great experience at our facility.

We hope to increase our massage therapy session by 12 percent from 2005, which is essentially increasing our massage therapy revenue as well as personal training revenue. And then from a Worker's Compensation standpoint we like to do our part to keep those expenses down and maintain a zero preventable employee accidents by all divisions. We do have an active risk management and safety committee that meets every month and we work towards that goal every year.

And, finally, we hope to initiate phase III of our aquatic center expansion planning which is a process and through that process we hope to create a steering committee this year that will perform the following: A thoroughly analysis of the program demand; we hope to examine operational impact on our existing facility; we hope to evaluate potential facilities amenities; and ultimately through this steering committee prepare a comprehensive aquatic center expansion proposal that can be submitted to the Recreation Commission, as well as the Village Board, by the end of the year.

The next couple of slides relate to IcePlex and being a very young facility and a young organization it, obviously as new organizations or new companies do, experience in their early months some significant accomplishments as well as some challenges that I think are important to address. For IcePlex in its first 15 months these are the things that I know our division is proud of, and Ken coming in half through the year has also contributed to that. We hosted over 1,250 youth participants in our learn-to-skate and our learn-to-play hockey program. Those are kids that possibly weren't skating anywhere until IcePlex was built. We hosted over 4,200 individuals of all skill levels and abilities during our public skating sessions. We have 130 figure

skaters that took part in IcePlex's first annual ice show that also attracted 1,500 spectators and that was held in May. That will be an ongoing event and tradition that all ice arenas have. Our first show was quite successful and we're very proud of that.

We were also successful in hosting approximately 500 school age students who visited IcePlex on field trips, so we're developing working relationships with Kenosha Unified as well as other surrounding schools. A successful partnership was maintained and the groundwork laid for future years and a future relationship with our Blue Line Hockey Club or Blue Line Hockey Club and the Kenosha Komets who rented approximately 1,000 hours of ice this year. This club alone serves about 250 hockey players that range in ages from 7 to 18 years of age, and that is for both boys and girls. The IcePlex also hosted in its first 15 months 151 birthday parties with over 2,260 visitors that came along with those birthday parties.

But it also experienced some challenges as all new facilities do. I can recall many of them from the RecPlex in our first year, and thank goodness I don't have to recap those today. But our facility is now five years old and we've worked out those kinks. But for IcePlex we felt it was important to bring these forward and they are being acknowledged going forward and are certainly being addressed with some targets for our 2006.

One of our main challenges was in our area of personnel and our turnover in our Ice Arena Director position that slowed the progress and expertise needed for 2005 to help lend expertise to our in-house program development. Weaknesses in the administrative structure also affected our proactive community outreach efforts. Although we feel like we did a good job, we might possibly could have done a better job had we not experienced our personnel issues. But, again, from what I understand in the industry and sharing with my associates it's not uncommon to take a couple times to find the right fit and the right person and we think we found that in Ken Knight.

Another challenge for '05 was the failure to develop non seasonal programming to fill daytime ice availability during seasonal and non seasonal months. Also probably a byproduct of the fact that we didn't have the personnel and expertise in place to do so. There was also an inability to attract the local adult hockey market which was certainly a part of our pro forma. And those were due to the fact that the Blue Line Hockey group that now call IcePlex their home opened up a great deal of prime time available ice for the adult hockey market during desirable time periods. So that was part of our challenge. In doing so the local rink also pulled their price down quite a bit which didn't make our facility as attractive. And then with the adult hockey market they do enjoy a nice cold beer with their hockey play. We did bring that to the Board and we rectified that midyear, but we did lose out on a hockey season with this adult hockey market. For those reasons, the price differential, we didn't have the ability to serve the cold beverages that they prefer, as well as the availability and the early start times, because the opposing rink offered that to the adult hockey market.

The next few slides recap, as you all know, through our Village's budget process we're required to bring forward a list of new programs through our divisions. All divisions brought forward new programs. Myself, Kathy and Mike went through and we analyzed those programs, and we have compiled a list that we believe to be the programs we would like to recommend. And then we will also show you the programs that we are not recommending be part of the '06 budget. Those slides have been broken down between the RecPlex programs as well as the IcePlex program.

The slides you're looking at now is the first of two I believe slides for recommended new programs on the RecPlex side. The chart that you're looking at shows the division with which the new program was submitted, the name of the new program. I would like to mention that all the new programs that we are recommending all have net revenue potential, so we have shown the income potential as well as the cost for that new program, and then the net new revenue associated with that new program.

So first and foremost from the administrative division we are requesting a new position. It's entitled a Program Assistant or Rental Specialist. This program involves a person that would assist us in aggressive outreach for our rental capabilities within our facilities. As you know, we have approximately 270,000 square feet that we manage, and we can't certainly program that space--we do a pretty good job, but there are also times where it just isn't practical to serve our consumers. We do have some space within our community rooms, the mezzanine, some of our multipurpose rooms, and we believe that we do have some potential if we had a dedicated individual to solicit that type of sales and do some proactive outreach there. As well as we do have a need for some clerical support out of this individual as well. We have some targets out there from the rental revenue standpoint. The cost of that program, it's a part-time position, and as you can see that is the cost and then the net revenue being approximately \$53,000.

We are recommending that we approve the locker rental program for the RecPlex and there's no expenses associated with that. That's just converting some of our day use lockers into locker rental which is also a request that our members have been making for years.

The next here is from our fitness division, the personal training studio. You see the income potential is personal training revenue, as well as the cost for that program includes the cost for the personal trainers and their percentage of salary associated with generating greater revenue from our personal training area in general for a net revenue of approximately \$41,000.

Also from our fitness division we would like to create a dedicated dance studio which, again, would be used to enhance and develop more dance programs which our members and guests have been asking for. We've seen some success in this area and we'd like to be a little more aggressive this year in that area, as well as expansion of our group fitness, our group fitness classes. The middle three there are all program development from our fitness division utilizing the new space that we received with the RecPlex expansion. So we are recommending those three from fitness.

The next would be from our guest services division which is a minor increase in our collection fee which has stayed stable for the last four years, and we now believe that it's time to increase that by a small amount. We would like to collaborate with the IT division on a part-time webmaster position. Because our facility has two of the Village's three websites, and it is really not cost effective for us to be outsourcing this to a contracted professional group which we currently use out of Milwaukee, we believe that we can bring the maintenance and management of our websites in house and share this responsibility with the IT division and a part-time webmaster position to maintain ours, and that's for an expense of approximately \$7,850. I believe Ruth is at two-thirds of that position.

The last program that we are recommending is also from our marketing department which entails a marketing department restructuring from staff as well as a more aggressive approach to our sales for our advertising program. This has an income potential of approximately \$82,000. The expense there comes from sales and commission from a new director for a net revenue of approximately \$26,000. And detail on all these programs are included in the budget packets you've received.

Continuing on in new programs that we are recommending for RecPlex include an outdoor recreation supervisor, which is to develop additional outdoor programming utilizing the park and the beach. The income is obviously from programs, and the cost for the program is wages and probably a little bit of minor equipment possibly.

The next five that you see there are from our special events division all of which are revenue generating new programs. The Father's Day Dash would be a complement to our Mother's Day Run that we did last year that was very successful. We're looking to include a Monte Carlo night, a corporate cup challenge in the fall. We would like to offer a bus trip that is also sort of a standard offering for recreation departments to do a variety of events. Possibly a baseball game to the Cubs or the Brewers or whichever, maybe both. Also a day trip to the Chicago Field Museum. And those while they're small revenue generation, they really add to the variety of programs and events that people can get involved in in our community, whether it be members or residents or just anybody from the community.

Lastly, from our sports department, we are recommending that we move forward with some development of additional sports programming which would include the need to hire some part-time assistants for the sports department which only right now is supported by one full-time director. Currently there are no part-time staff in that department. So the cost of that program is primarily wages and then a net revenue of \$2,500. And the total new programs recommended for the RecPlex division as you see there is \$185,420.

The programs that we are not recommending for approval tonight for the '06 budget include from our guest services division an armored car service. We believe that the current system that we're using now is fine for now, and we hope to possibly partner with a bank to utilize getting our cash transported to and deposited in a different way. So we're going to forego the armored car request at this point.

Our therapeutic rec division has also requested several new things in an attempt and a desire to expand that department, but we are not recommending these for approval. A reclassification of a part-time program assistant to full-time; operating expenses for an accessible bus which is part of a capital request that you'll see later; and operating expenses for a discovery bus which I believe also is part of a capital request.

Now I'll move into new programs from IcePlex that we are recommending for approval. They primarily come from program development. As you can see we are working to acknowledge and make sure that we don't fall short this year in our program development. I don't want to say fall short, but we certainly need to address the challenges from last year. And now that we have Ken and some administrative infrastructure and some expertise in some people that know how to develop these specific problems, Ken and his staff have come up with in-house hockey, figure

skating clinics and camps. There's a rental on there, and those are for camps that more or less is a traveling camp that isn't necessarily managed in-house, but they might be interested in utilizing our facility in their well known programs throughout the country. They would come into our area. Ken is already discussing and already has contracts with one right now and in dialogue with another. So that is technically rented ice and not an in-house program.

We also are planning hockey camps. The most significant program that you see there that will generate the most revenue is listed there, the second to the last one, is our day camp with the focus on ice skating as well as figure skating. It will be a recreational instructional camp that will run for 12 weeks. It will be geared toward hockey players or figure skaters, whichever one they would like. It would give them approximately three hours of ice time as well as other activities throughout the day. It would run very similarly to our very successful summer day camp program on the RecPlex side that utilizes all the other amenities within RecPlex and the park. So we hope to outreach to not just our local community, but the IcePlex and the consumers or I should say the ice community in general is more willing to travel a further distance to utilize these types of programs and services well beyond maybe what our market reach is from the RecPlex side. So we will have a very aggressive marketing and promotional campaign outside of our area to recruit people and youth from northern Illinois as far as northern Racine County. We feel like with the expertise and the success and the knowledge that we have that makes a successful program on the RecPlex side that we can also offer that up, and with Ken's expertise we can certainly do the same over at IcePlex.

We are also looking to add video games which is a small revenue source, but nonetheless something that keeps the kids busy and a nice small revenue stream for the facility. There is some "dead space" on the green rink. It would not be in the lobby. We would not be interested in placing these video games within the lobby area but more on the green rink in the southwest corner of the green rink. It's space that can easily accommodate for video games. So IcePlex new programs that we are recommending come to approximately \$261,000. And IcePlex did not have any programs that we did not accept.

Program reductions are also a part of the budgeting process for the Village. Because IcePlex is a developing budget, there are no budget reductions for the IcePlex at this point, but I will share with you some program reductions that are being recommended. Again, myself, Kathy and Mike went through the program reductions and brought forth what we believe to be the ones we would like to accept or program reductions we would like to take, as well as ones that we are not recommending.

For RecPlex there are three recommended program reductions, one of which is the conversion from the administrative division. It's the conversion of our special events full-time professional position and converting that into a graduate assistant position which is a partnership program with Aurora University out of Illinois. They have a masters degree program in recreation administration, and this is the placement of a graduate assistant into our organization for an entire year, and they would then oversee the special events activities in conjunction with receiving graduate credit work towards a masters degree in the field of recreation administration. And that we would realize a savings of \$37,405.

From our facilities division Tom is offering up the elimination of possibly some maintenance

contracts and doing more in-house maintenance ourselves which would utilize the maintenance personnel and their skills as opposed to outsourcing a lot of our maintenance contracts and maintenance work on our mechanical systems. And Tom believes he can save and realize the facility a savings of 10,000.

And then the final budget reduction that we are recommending we take would be eliminating one of the sets of yellow pages advertising that we had previously done in the past which saves the facility or the operation \$4,000. That directly correlates to our website development. Now that we have an active website we don't need to advertise so much in the yellow pages.

The RecPlex program reductions that we're not recommending that we take and that we leave in place, again, the first one comes from our administrative division which would be discontinuing all donations and incentives. We currently give to several hundred community groups, nonprofit groups, whether it be day passes--the majority of our donation and incentives are day passes and IcePlex passes. We do give our fair share of gift certificates as well as RecPlex memberships to fundraising groups and nonprofit organizations for charitable fundraising.

The facilities division offered up a full-time custodian and a conversion into a part-time staff. We don't believe that's really in the best interest of the facility. The fitness department is offering up some reduction of coverage in our fitness department. Again, we don't feel like that is in the best interest of the club. Outdoor recreation or from our outdoor rec division the elimination of lifeguards. Again, a lot of beaches in some of the Kenosha County areas and the City they don't manage their beach areas. It's sort of an at risk situation. We don't think that's in the best interest for the Village so that is not something we're interested in taking.

Our therapeutic recreation division is offering up the potential of decreasing our staff ratio, which would be equivalent to eliminating one part-time staff person. Again, we feel like our one to three ratio in our therapeutic rec department is really what the division needs for that population so we don't want to go there. And, finally, from our youth division the elimination of kids court services to members. We know that free drop in childcare for our members is a very desirable and wonderful benefit for all our members, and we know that keeps the membership retention high based on the fact that we do serve so many families with children. Again, that's not really something we feel is in the best interest of the facility.

From IcePlex there are two program reductions. The first one that we are recommending that we take is actually not a complete reduction, it's a partial reduction. The IcePlex shares the personnel resource of a lighting and sound technician with our IT department. We receive that charge-back for this person's time. What we are recommending is that we eliminate the hours for the lighting and sound but keep her time which is also used to DJ all of our public skating

events. There's some skill required to DJ that, and what we're doing is we're just eliminating the portion of her hours that are not directly related to public skating. So that's a reduction of approximately \$4,000.

A reduction that is offered by the division but we are not recommending is the replacement of one full-time custodian to a part-time. The IcePlex has right now only two full-time custodians that maintain the facility, and 70,000 square feet and hockey players and skates and things like that the facility really takes a beating. We like to maintain and we have cleanliness standards throughout the facility. We'd like to maintain those over at the IcePlex side. So we are not recommending that we take this reduction.

The final slides that I will be going over tonight are also our capital requests that come from the various different divisions. There are no capital request coming from IcePlex. They are primarily coming from the RecPlex side. Again, we have a list that are recommended and then a list of capital expenditures that are not recommended.

The capital purchases that are being recommended for the '06 budget include, from the administrative division, \$100,000 for the conceptual planning and design and the preliminary planning for our aquatic center expansion; from our facilities division a racking system for our storage between IcePlex and RecPlex. It's a very large area that has a very tall ceiling, and the space right now is only the floor. There's no racking or anything in there and so our maintenance and facilities group would really like to install a racking system in there and with that would also require the fork truck, the \$15,000 fork truck to maintain the various different items in there that we buy in bulk. The fork truck would be needed then to obviously utilize the racking up above. Facilities is requesting that we replace burners for our boilers which is approximately \$5,000.

With any fitness center and fitness club certainly of our size, and any fitness center across the country, to stay at the top of your game, so to speak, and to maintain membership and to stay a successful club and organization your members expect the equipment to be working at all times. They want it to be clean. They don't want to see stuff that's breaking down. It's a standard procedure for clubs of our size to be on anywhere from a three to five year replacement schedule for equipment. And it depends on what type of equipment it is and how popular it is. Not all pieces of equipment have a life span of three years and not all of them have a life span of ten years, but the ones that we're recommending as you can see are definitely the more popular pieces of equipment. We have a very comprehensive equipment replacement schedule that takes us well into five or six years. But for '06 we're requesting some replacement of our treadmills. We are requesting some addition of Palates equipment which is not necessarily a replacement. That also goes to the development of our personal training studio. But we do need some individual equipment that can benefit and add to those services for personal training. The last two also come from our fitness division and replacement of bikes upstairs as well as the elliptical machines. So the total amount of our capital purchases that are being recommended come to \$211,750.

And capital requests that were made that aren't being recommended include the first four that come from our facilities division. Again, the detail on these are in your budget packets. A scrubber, we certainly have one right now. I know Tom would like to see a more efficient scrubber. They're a little costly but one that hopefully does the job and is a little more efficient

and does a better job of cleaning. Maybe we can get a couple more years out of our current scrubber. A sweeper attachment for our John Deere tractor which is in relation to snow removal outside the facility. Replacement of bathroom stalls, we feel like possibly that can wait. painting of the facility, that's the exterior painting of RecPlex.

From our fitness division we feel like we can hold off a little bit on our Nu-Step equipment. It's a piece of equipment called our Nu-Step, our magnum strength equipment and our stair masters. From our guest services area we would like to see, and this has been in our capital request for several years, we always feel like it doesn't rise to the top, but I know sooner or later we feel like we really would like to redesign the guest services desk, as well as our field house access control system. The desk doesn't really give us a lot of ease in getting the customer through quickly. It doesn't queue up well when we are servicing our members and our guests. There's no storage. There's all sorts of issues with the functionality of that desk.

And then the access control issue from the field house is certainly a design issue with not being able to control access into the field house when the guest services desk gets busy. The guest services department does a good job. They try to do a really good job maintaining those doors and we do some other things to police the facility, but if we had a better control system of that field house we feel like nobody would be sneaking in basically.

The second side is a continuation of capital purchases that are not recommended. The top three from our sports department, office equipment, lightning detector, defibrillator for parks. We feel like we can utilize other things or other avenues there. And then the final five are from our therapeutic recreation division. I know Erin, the Director there, is working on possibly some grants and things like that that might be able to assist in procuring these capital purchases in the future. But we do have a desire to have a handicap accessible van, as well as a handicap accessible playground; some hockey equipment that is specific to special needs individuals; a standard 15 passenger van as well as some sled hockey equipment. And those are not being recommended. But nonetheless they're here. If you see things there that you feel we should consider that's certainly an option for the Board.

The IcePlex capital requests that are recommended is minimal. It addresses actually more of kind of a preventative maintenance plan for the compressors. The IcePlex has three compressors that maintain the two sheets of ice, and it's been recommended by the manufacturer that we get on a-- every once a year we actually refurbish or rebuilt one compressor each year to the cost of \$3,500 per year, so this would be the first compressor and the cost needed to rebuilt that as Tom state. So that concludes my portion of the presentation. I'm going to hand the microphone over to Kathy Goessl who will now give you an overview of the financial aspect of the recreation enterprise.

Mike Pollocoff:

Before we start the financial overview section, I guess I'd like to see if there's any question or comments on either IcePlex or RecPlex operational questions.

Mike Serpe:

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Cathi, you mentioned new programs totaling \$261,000. Those are pretty aggressive figures. Are they types of programs that you think you can attain in the first year?

Cathi Klaver:

Is this in relation to IcePlex or RecPlex?

Mike Serpe:

IcePlex.

Cathi Klaver:

They're aggressive but we tend to be aggressive, but the largest being summer day camp. I think easily we can attain the hockey camps and figure skating camps and things like that. Yeah, we feel like we can, certainly because we'll be pulling from a broader market. We know in other markets across the country these are very successful programs for ice arenas and there's nobody else doing this in our area probably within 60 miles.

Mike Serpe:

I'm not criticizing it. I'm saying it may not take off the first year but it may take off the second, and are we prepared to carry it a while to see if it's definitely going to work? If we don't achieve that goal and fall short a little bit, are we prepared to carry it into the second year?

Cathi Klaver:

We hope to make adjustments in other areas throughout the year.

Mike Serpe:

The only other question I have, Cathi, at this point, the handicapped van, would there be grants available because of its need and because of its use that we can apply for?

Cathi Klaver:

I might ask Erin Winch to step to the microphone and she can address that if you have any further questions. She's certainly the expert here and has done a lot of research on this topic.

Erin Winch:

Actually I apologize for my lateness. I just came from a trac meeting which is our therapeutic recreation advisory committee, and we were discussing the potential options for pursuing vehicles, and that is one of our major expenses is transportation. We are currently applying for a grant through the State of Wisconsin, but we are also looking at soliciting some assistance from local dealerships, other agencies who may be able to provide that service as well. We're fairly certain we can be successful with that.

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Mike Pollocoff:

Really we have two levels of vans that we're looking for. One would be the regular passenger and the other one would be the lift van.

Erin Winch:

Accessible, right.

Alex Tiahnybok:

The armored car, the not recommended program, can you explain the need for an armored car? \$2,500 doesn't seem like a lot of money. That would be for the annual contract to have cash picked up I'm assuming? What kind of exposure do we have in terms of people carrying cash around?

Cathi Klaver:

It's been the Village's practice since I joined the organization that lead people that are responsible for dropping cash we go about three miles and we bank with First Banking Center. We do predominantly a credit card business as well as checks. We're not carrying a great deal of cash. Kathy's department has been doing it for years, but it's more we're probably not looking at this for another reason. We are looking on a sponsorship with a financial institution to possibly sponsor either the blue rink or the green rink over at the IcePlex, and we have offered up an ability to have an on-site banking center within our facility. So with that we wouldn't need an armored car service.

Alex Tiahnybok:

If that happens then naturally we don't need it.

Cathi Klaver:

Naturally we're just walking across the lobby.

Alex Tiahnybok:

I imagine there's cash receipts from concessions, sales, probably not that much from programs and memberships.

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Cathi Klaver:

Do you know off the top of your head cash wise? I would say nightly on an average it's probably \$5,000 to \$10,000. Not that much, \$5,000 within IcePlex.

Alex Tiahnybok:

I didn't think about that aspect.

Mike Pollocoff:

Naturally, if there is a concern on cash or anything that they're taking, what we do here at the Village Hall is we have a police escort or else it will stay in the safe for the night.

Cathi Klaver:

When RecPlex first opened and we were building our membership we were dealing with a lot more cash on a daily basis. That was one of my responsibilities was to make these deposits. There were times when I felt like I was really carrying, and that's all I did was say I'm leaving now, can I get an escort.

Alex Tiahnybok:

If this thing doesn't work out with the financial institution, I think we need to reassess the program and maybe set a limit as to at which point a police escort or something would be required. There's a risk to the person who is carrying it, too, for reasons that were just brought up.

Mike Serpe:

I agree with you 100 percent on that. Especially with the remote area we're in, times are not the world's greatest and the chances of something happening are better today than they were a year ago.

Alex Tiahnybok:

Especially if we keep talking about it, right.

John Steinbrink:

Other comments or questions.

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Steve Kumorkiewicz:

One comment I want to make. I'm impressed with the new programs proposed by Ken. One of the problems we've got is we spent six months without an Ice Director over there. I was talking with Ken a couple of times and see what he proposed. He made a presentation to the Recreation Commission, but I was impressed as a member of that Commission. We've got a person with experience in the field. The IcePlex concept is new to us, and it's good to have a person in charge with full knowledge of the capacity that we've got in the RecPlex to expand for new programs. That's exactly what we need. That is going to be hard in the beginning, no question about it like any business in the private sector. But I do believe that at this IcePlex as it gets more well known around the ice community, let's put it that way, I think we're going to get bigger and bigger. My idea is next year you're going to see more programs introduced that's going to increase what we have right now presented this year. My opinion, Ken, is you're doing an excellent job.

John Steinbrink:

Other comments or questions?

Jeff Lauer:

Hi, Cathi, just a couple. I'm sure you've looked at the numbers. I'm reviewing at what you recommended in possibly hiring new staff, staffing for the dance studio and personal training studio. Do you feel the IcePlex and RecPlex overall has enough income revenue coming in in order to pay those?

Cathi Klaver:

All these new programs have income associated with them if we are to expand and hire new people. So unless the program gets off the ground we're not going to hire and the hiring of personnel would not follow.

Jeff Lauer:

The only other question I have is for the respite care that's provided and childcare, are we licensed for all that through the State and all that?

Cathi Klaver:

We sure are. We're a licensed childcare provider for our preschool program. And then with Erin and her credentials as a certified therapy recreation specialist.

Jeff Lauer:

And you might do this already, and I did this when I was much younger, for broom ball I hear that's very popular with church youth groups. That might be a marketing--

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Cathi Klaver:

Yes, church groups and corporate groups.

Jeff Lauer:

Church groups I was going to say if you haven't marketed to them yet that's usually a hot commodity.

Cathi Klaver:

Ken has that on his list. Any other questions for me?

Steve Kumorkiewicz:

One last question. You include in the new program to purchase a fork truck, forklift. What capacity is the forklift?

Tom Patrizzi:

It's a 6,000 pound three stage forklift, like Cathi said, to utilize the storage area more. We're 120 feet long, 25 feet high and only 20 feet wide. And if we can get racks on the one wall, the south wall, we'd be able to have a lot more storage which we're lacking right now throughout the whole facility for everything from Christmas storage right down to special events and everything like that, paper towels, supplies, everything.

Steve Kumorkiewicz:

What is the limit . . . elevation . . . how high can you go?

Tom Patrizzi:

We'll go right up to the ceiling, 25 feet with the three stage.

Steve Kumorkiewicz:

What kind?

Tom Patrizzi:

I'm looking at some used ones right now from Wisconsin Lift that operates through Johnson Wax. They recycle theirs every three years and they're on that stage right now, so they're well maintained throughout the three years so we're looking at one of those to purchase a used one where we could use it for special events.

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Steve Kumorkiewicz:

They've got good units definitely. Thank you.

Kathy Goessl:

This slide shows the outline of how I'm going to go through the financial statements for the recreation enterprise. I'm going to first go over the RecPlex and give you their operating revenue and expenses. Those are the day-to-day revenues and expenses that that facility needs to operating. And then look at non-operating revenues and expenses, the major one being interest expense. And then give you the net gain and loss at the RecPlex level. Then also go through the similar statements in the IcePlex and give their separate net gain and loss. The IcePlex and RecPlex are in one enterprise fund. They're together, so at the end I'll go through the enterprises's cash flow and look at the net cash flow change as an enterprise. We separate out RecPlex and IcePlex to see how they're doing separately, but they actually operate together in terms of an enterprise fund.

This first slide is to do with RecPlex. This is RecPlex operating revenues. It's a pie chart showing our major revenue sources operating wise. As you can see our memberships is the biggest chunk of our pie at 52 percent. Cathi went over the membership demographics earlier in the presentation. That's 52 percent of our operating revenues for the RecPlex side of the organization.

Our next major revenue source operating wise is programs. That includes all the programs that were mentioned earlier that she went through, the sports programs, fitness programs, special events, even the concessions area is included in the program area. These are all the revenue sources that we have for programs and that accounts for the next biggest chunk of our pie.

The smaller revenue sources that we have are our daily pass revenue. It's people that come in that are not members that buy a daily pass to use our facilities for the day. We also have rentals which is a small slice of the pie and we're hoping to make that grow a little bit larger through one of our new programs, the rental specialist, but that's only three percent of our revenue stream at this point. The facility fee is the one-time fee. It's a \$100 fee that a person pays at the beginning of their membership. It's used mainly for capital replacement of equipment. Also if a membership lapses for more than 30 days they have to repay that fee, but if they renew it within the 30 days they do not have to repay that fee every year.

Cathi talked earlier about sponsorships and advertising. Right now that's a small chunk of the pie, but hopefully with our new sales and marketing director we'll be able to increase that slice of the pie. And then we have other minor revenue sources for two percent.

This next slide gives a breakdown of operating revenue. It compares last year's budget that we had to this year's budget. The slides of the pie are listed here and they're budgeted 2005 and what we're proposing for 2006. The first one, which is our major revenue source is annual memberships. We're proposing to increase that area. First of all we're increasing that are due to the rate increase as approved in December that was effective January 1st. That increase was an average of about 4.25 percent in the primary membership category and a \$10 increase on

secondaries, adults and youth memberships. The last increase we had on memberships was back in April of 2004, so it was almost two years ago that we increased rates.

We also built in growth for new memberships. We were doing very well in the last couple months with membership growth, and we built in some additional growth. We just recently implemented some new software, so we're hoping to free up the person that was doing a lot of renewals and stuff there to do more prospecting and calling and working with new prospective customers that come in the door.

Our next category, the next big chunk of our pie, programs we're looking at an increase there. This program category includes aquatics, fitness, our therapeutic rec area, and the other areas that Cathi was speaking about. The largest part of this increase is due to Prairie Family Days. Prairie Family Days used to be an event that was over in our general government area. In general government it netted out to zero and it was about an \$80,000 or \$90,000 revenue program in terms of generating sponsorships, admissions and that kind of stuff that was related to that program. We've moved that revenue source over to RecPlex.

The day pass revenue which is a small slice of the pie is pretty much maintaining itself for 2006. Rentals we're looking at an increase of \$30,000, and this increase is mainly due to we lease space upstairs currently to United Hospitals. Currently they only rent that space up there for three days. We have been working with them and other hospitals and therapeutic type places to see if we can get the other three days rented out. So we're hoping we're pretty close to being finalized on getting an additional three days rented out. If we're not able to do that we'll go with a request for proposals to rent that out so we have all six days rented for that one area there that United Hospitals currently has. And that's all the increase we're looking at for that rental area.

Facility fee we're just pretty much maintaining. At \$125,000 it's been that level for the two or three years, around that \$125,000 mark. Sponsorships and advertising last year in 2005 we budgeted for the value added program. That's the advertising package program were you purchase advertising on our television network as well as by a banner or a dasher. It had a hard time getting off the ground last year because we didn't have a dedicated sales marketing director to help go out and actually sell these. So we reduced this at this line item here in our main operating section, but one of the new programs that was recommended, the reorg of the marketing and sales area, includes increased revenue sources for that. So we took the revenue that used to be over here in our base budget because this revenue does not include any of the new programs. It's just our base budget and how we expect it to change. So we reduced advertising sponsorships here to reflect what we were really trending, and then we put it into a new program so we can concentrate on it and sell the advertising packages. So that's why the decrease is in that area here for \$26,000.

Beach passes we're looking at a slight increase there. Others is mainly our HCH fee. Back in the summer of 2005 we increased that fee. That's the fee that monthly memberships pay to have their bank account drafted every month. We increased that from \$3 a month to \$4 a month. So the majority of that increase of \$13,000 is due to that increase in those fees.

So we're looking at total base revenue increase of 9 percent. This does not, again, reflect any of the new programs that were mentioned earlier. We add those in later as a separate line so it

doesn't sway or make these numbers look big in certain areas. This is just the base area of our budget.

Now we're going to switch to the operating expense. What does it cost to actually operate this facility and what we're proposing for 2006. This is a pie chart showing what our costs are divided into. The biggest slice of the pie because we're service oriented is our wages and benefits. The operational chunk is 49 percent. That piece of the pie is what it takes to operate the RecPlex. It's not any of the programming wages. So if there's programming revenue associated with it the wages and benefits aren't included there. It's included in another slice of the pie. This is just main guest services, administrative staff, maintenance custodians. These people are not directly teaching a program or selling concessions or that kind of stuff. So that's the slice of the pie there of 49 percent of operations.

The next are pretty similar in terms of we're looking at 9 or 10 percent for most of our other slices of our pie. The wages and benefits associated with our programs that's instructors, the concession workers, the swim instructors fall in that category. If we don't have program revenue to support an instructor we won't run the program. So if you have a program that only has a couple people in we'll cancel the program before we'll run and have an instructor be paid more than what we're generating in revenue for our program.

Utilities is a big chunk, too, at 9 percent. That includes our gas, electric and water and sewer. Other programming costs are the cost of running the different programs, the different equipment or things needed to run a program that also includes our cost of goods sold for our concession area. And depreciation is the use of the equipment that we purchased when we built the building. The building cost and the equipment and the useful life of that is spread over the life of the equipment so that each year we have to recognize a certain portion of the building or the equipment. For example, we buy a bike and it lasts for five years, we'll recognize one-fifth of that as an expense for the year. It's not actually cash being paid out, but it's an expense we need to recognize on our operating expenditures to have the true cost of doing business.

So we also have marketing which is a small slice of the pie for operating expenses. That's the marketing department, out Play by Play and advertising and that kind of stuff is in that category. So those are the slices of our pie for operational and the next slides will show the comparison again. The comparison of what our budget was last year and what we're proposing for this year.

Overall we're looking at an increase of expenses about five percent, and our wages and benefits in the operations area is trending that way at five percent. Mainly that's due to step increases of our employees as well as an annual increase of two to three percent depending what class they're in. Also, health insurance benefits and different benefits in the standard inflational increase in that area. That does not include any additional people. Any new people are requested through a new program request and not in the base budget as a line item.

Wages and benefits for programs pretty much staying level in terms of the amount of people that we need to run the programs in our base budget. All of the increases in programming staff was mentioned earlier in the new program request and what it costs to run a new program. Programs expense, special events are included in programming, so the majority of that cost increase is due to, as I mentioned earlier, Prairie Family Days moving over from general government to the

RecPlex. This is mainly the cost of Prairie Family Days moving over. The rest of the programs pretty much stayed level in terms of the costs associated with running them.

Depreciation I budgeted the same level. We pretty much had the expansion in the depreciation schedule last year. It will probably go up slightly or down slightly, but for this purpose we pretty much budget what we had last year on there. Other operating areas pretty much--well, it's going down. Each of the departments were asked to look at each of their line item expenses. This includes contracted services, office supplies, supplies and maintenance material. So as part of this budget cycle we asked all the departments and divisions to evaluate each of their line items and take out any "fat" out of their budgets. So they've gone through and reviewed what they've historically done and reduced where they could and that helped us save some money in that other operating category.

Utilities, well, we do not have any control on that and so our gas and electric are shooting up. Gas actually we're budgeting \$82,000 more and electric \$70,000 more. Water and sewer are pretty much stable and a small portion of the utilities.

Marketing as well as other departments were asked to cut in terms of trying to find line items that they could save money in on their base budget and they gave a reduction of \$6,000. Sponsorships and advertising is the cost of when we sell a sponsorship or a advertising like a banner or a dasher we have to put the banner and dasher up so this is the cost of doing that type of thing or any associated advertising cost. For a while we had an outside sales person and we had mileage and phone reimbursement to pay this person back. So that's some of the cost associated with that area and that's pretty much staying the same. The major changes is in the new program request for the sales and marketing reorg.

So to summarize our operating revenue and expenditures, what I did is I took the dollar amounts from the previous couple slides, brought the revenues forward. You saw the revenue amount where we were increasing 9 percent in the base budget line. The expenses, again, bringing the total forward from the previous slide with the 5 percent increase in that area. And then the new programs that were listed by Cathi earlier in the presentation we're recommending \$185,420 in new program requests, and we're recommending to take a reduction of \$51,000, so this gives us our operating gain for the RecPlex. And you can see, last year we budgeted a \$268,000 gain. We're proposing about a \$746,000 gain. You'll see later why that number has jumped up so high mainly due to debt service. We have a new debt service based on the expansion of the building at RecPlex, so we needed to increase our revenues to compensate for the debt service.

Now I'm going to switch to our non-operating. These are things that are not directly related to the operation of the business on a day-to-day basis. These items I broke them down into revenues and expenses. The revenue we receive not on a day-to-day basis but a one-time thing first of all is donation. We have been receiving a donation from WisPark since the building has opened. This \$571,000 is our last of seven payments from WisPark, so that's a revenue source coming into us for this last year.

Tower leases, these are tower leases that are on water towers. We have one on the water tower here on 165 and we have one down by the booster station on Sheridan Road and 165. The Board had made a decision a couple years ago to take whatever revenue we get from these tower leases

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and direct it toward the therapeutic rec program, so this is being collected by the water utility and transferred to the RecPlex to help with the therapeutic rec. So all this money is allocated to the therapeutic rec and kept track of to make sure it's used for that purpose.

The expenses that are non-operating, the major one is interest expense. That's the interest on our debt, and that's currently budgeted. All our bonds have a debt schedule of when we need to pay debt, so each year the bonds need to be sold, we built the buildings and have a set schedule, and this is our set schedule for next year.

Others are basically amortization expense for our debt issuance cost netted out against our debt premium amortization. So this is our non-operating. We're looking at this year a little bit less of a net operating loss per se. We're looking at \$128,000 in net operating loss.

So when we take and put those two pieces together, the operating day-to-day gain and the net non-operating loss we're coming up with a net gain for the RecPlex of a little over \$600,000 compared to a little over \$100,000 for last year that we had budgeted. So we'll take this net gain and bring it forward in our final slide comparing our cash situation because we still haven't paid the principal on our debt and that's what we're going to be using that money for.

So I'd like to switch and now go into the same kind of statements for IcePlex, operating revenue and expenses first, the day-to-day operations.

Mike Serpe:

Can we talk about the RecPlex for just a minute. I have a question for you. I look at marketing the same we I look at research and development from normal companies. Alex, I can ask you this question. In some industries 12 to 15 percent is about the norm for research and development?

Alex Tiahnybok:

It depends, but it could very easily be that, yes.

Mike Serpe:

The reason I bring that up is we're showing an eight percent reduction in the marketing section for the RecPlex. It's my opinion that if we're going to do anything to fill slow times of the day we should be marketing those times more aggressively. If that means additional part-time hours that we may have to add to it I think it would be money well spent in that area rather than reduce it. I would consider the marketing segment of the RecPlex to be increased and not to go the other way. And there are slow times in the morning. I wouldn't highly recommend we look for more personnel to come into the building or more people to come into the building between five and eight at night. That we know is taken care of. But between eight and ten and twelve or two o'clock in the afternoon there's a lot of room. The racquetball courts are open, the fitness area is wide open, and that could be something I think we should at least consider. Instead of reducing that marketing segment of the budget to increasing it to see if we can generate even more revenue during the slow period.

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Cathi Klaver:

I think one thing that needs to be considered is the facility is now five years old, and we dedicated a lot of resources, both financial and personnel, in branding and establishing RecPlex as a household name for the first two to three years, which is fairly normal for any new company starting. But then you start being a little more efficient with your dollars and you don't have to do as much now that we're established. Our user base for RecPlex is going to get us about anywhere from a 10 to 15 mile radius and that's going to be it in terms of marketing. We've pretty much saturated the market in terms of everybody knows where we are, and now we want to be a little smarter with our marketing dollars. We don't have to spend as much advertising anymore like we used to. We can utilize the website. That's where everybody's eyes are and that's a little less expensive than purchased print advertising and spending so much money on our print publications and things like that.

I know the national average for clubs of our size is anywhere from a marketing standpoint three to five percent of your gross operating is marketing. But we are also a recreation department and we also do a lot of I think more efficient outreach through just flyer generation and things like that that we don't have to kind of utilize our marketing department. Some of our program managers do that now where before it used to fall to our marketing people. They're qualified professionals and it's certainly standard procedure for them to market their own programs.

Mike Serpe:

I totally understand that, Cathi, and I agree with you. The only thing I was looking at is the slow periods of the day. Is there a segment of the public out there that could come and use our facilities during those periods?

Cathi Klaver:

In any club operation that's just going to happen. We are open 18.5 hours of the day already, and we get a lot of the first shift and second shift and even some of the third shift people already utilizing the club from a workout standpoint. But during the slow periods then you look to either program it up or rent it out not necessarily from a membership standpoint. And that's where we hope to focus on the facility rental standpoint. We do outreach to the schools for field trips during the day and things like that, and that doesn't require necessarily print advertising or things like that from our marketing department.

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Mike Pollocoff:

Mike, one of the things if you think back to the demographic that Cathi described in the beginning, the bulk of our membership is fairly young. It's under 44, and so in that morning period there's a lot of mothers that come in, the kids go to the Kids Court and they work out. The deadest time there is probably from one o'clock to three thirty. That is really a slow time. Ideally a segment of RecPlex that we don't really attract is a lot of senior citizens, and that's really the gap that we really haven't tapped. You can just look at our numbers. Seniors just aren't members out there and it's probably for a couple reasons. It's out away from the area, and we don't have any transit that comes out there. Seniors couldn't hop on a bus or get from Prairie housing up in Prairie Ridge down to RecPlex. I think even more than the marketing it's more of a programming effort that needs to happen.

Right now we have been very successful at getting younger people and younger families to be members. Those people if it isn't both spouses working the one spouse that does stay home we see those people in the morning because the morning times are pretty busy. When they go to work people get out of there about 7:30 or 8 then it kind of lulls until about 9, and then there's a lot of ladies and gentlemen coming in with toddlers going to work out and dropping the kids at Kids Court. I think that's probably one of our really busy times.

Cathi Klaver:

And the people that have that discretionary time during the time, like Mike brought up the good point, are the seniors. They have discretionary time during the day.

Mike Pollocoff:

My father likes to go there at lunchtime and work out because he says there's nobody there. Nobody is in his way.

Mike Serpe:

And that's all I was getting to. If you're satisfied, and I'm not going to second guess Cathi because she's doing a great job out there, that we're filling these slots and these time periods the best we can then that's fine. When I see a reduction in the marketing area you want to keep this place in the public eye as much as you possibly can.

Kathy Goessl:

All of our new programs require it have advertising expense built into them. Especially the day camp program we're looking at for the IcePlex has \$5,000 or \$6,000 of marketing dollars associated with it.

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Cathi Klaver:

And the summer day camp which isn't necessarily reflected. That expense is built into the new program. It's not necessarily shown in the pie chart, and so it's not to say that we're going to use the same amount of marketing dollars to promote all these new programs. They have allocated dollars along with that.

John Steinbrink:

Any other questions? Okay.

Kathy Goessl:

For IcePlex I have the same slides to show you in terms of the pie chart for operating revenue. This is the operating revenue pie chart for the IcePlex. On this side our biggest revenue source is rentals. Rentals includes our major rental to the Blue Line Hockey Club. We also have other hourly rentals to the contractors, contracted hockey leagues that Cathi mentioned earlier in her slides, but it also includes our buy ons for figure and hockey and also open skates and skate rentals. So any of those rental type categories are in that pie slice.

Our next major slice of the pie is our concession/pro shop on that side. They account for 17 percent of our revenue. Concession is the biggest chunk of that piece of \$130,000, whereas pro shop we're looking at projected \$100,000. Equal to the concessions shop is our program area. Our program area accounts for another 17 percent of this pie slice. It includes our learn to skate, learn to play, our in-house hockey leagues, our birthday parties and our synchronized ice skating teams.

After that is the advertising and sponsorships. This is a bigger slice of the pie than it was on the RecPlex slide. Currently we have a secured sponsorship from Time Warner Cable. They will be paying us \$80,000 a year for the next ten years. Also, we are looking and in the process of selling center ice, as I mentioned, to a financial institution. So we're looking at center ice is \$50,000 for our blue rink which is our primary rink and \$35,000 for our green rink. Also, we're looking for sponsorship opportunities on our Zambonis selling them to either car dealerships or grocery stores or something like that that wants to purchase that type of advertising. That's \$5,000 per Zamboni that we have. Also, dasher boards we've not even nicked the surface of filling dasher boards so we're budgeting \$10,000 to go out and aggressively pursue dasher board sales. Also, the advertising packages that were mentioned earlier, 37 percent of those packages that are going to be sold by the marketing and sales director will be attributed to the IcePlex side of the organization.

The last slice of the pie is special events. This special events includes our spring ice show that Cathi mentioned. Also, this category includes our teen nights which is Friday night skates for our kids 16 and younger and also our lock ins which are offered throughout the year. The most recent one that we offered was New Year 's Eve and also upcoming is our Valentine's Day lock in. Lock ins and teen nights are budgeted to generate about \$60,000 in revenue.

This chart in IcePlex compares what we budgeted last year versus what we're proposing this year.

Our revenue in total, as this is our second year of operations, we're projecting an increase in this area just overall of 22 percent. Actually all the categories are going up some percentage, some more than others. First of all is our rentals. We're projecting an increase of a little over \$100,000. This is mainly due to the increase in ice rental hours by Blue Line and an increase in other contracted ice rental hours. We'll talk more about ice rental a little bit after I get done with the financials in terms of rates and how many hours of ice are we actually renting and when are we renting them.

Then we have programming. Programming base wise is increasing slightly. The majority of the new programming has been outlined in the new programs that Cathi explained earlier in the presentation. This is just our base. No new programs in this category right now.

Then we look at concessions and pro shop. We're increasing that mainly due to increased sales that we have experienced are starting to trend upward, and we're also able to hire an employee that's actually experienced in retail ice sales, ice hockey equipment and our pro shop merchandise. So he has a lot of good input and we have already seen increased sales and he's only been here a couple months.

Advertising and sponsorships, we are going out to push all of our sponsorships this year and get them sold, center ice, Zambonis, dasher boards and advertising packages. Special events as I mentioned earlier are increasing from what we had budgeted this year, and those are teen nights and lock ins and our ice show. So overall we're looking at a 22 percent increase in our base without the new programs being added in.

This is our pie chart for the other side of the equation, the operation expenses, what it costs to operate on a day-to-day basis our rec center and what slice of the pies are what percentage of the business for IcePlex. Our biggest slice of the pie again is wages and benefits, the same as over at the RecPlex side. We're mainly service oriented and programming and that type of thing, so wages and benefits are the biggest category at 43 percent. That slice of the pie is not related to programs. It's related to the operational organizational structure there. It includes six full-time employees, three operational, three facilities and some part-time employees including custodians, Zamboni drivers, guest services and skate guards.

Our next big chunk is utilities. Again, just like on the RecPlex side, it's electric, gas, water and sewer, the largest expense in this category being electric at \$140,000 budgeted or proposed for 2006 and gas at \$66,000. In the other category which comes to 17 percent is mainly items due to maintenance, maintenance agreements, repair and maintenance. The building is now out of warranty in terms of a lot of the equipment so we're going into maintenance agreements, and we like to do routine maintenance on our equipment to keep it lasting longer, so that has increased in that area. Also, that chunk has marketing in it, cleaning supplies and other contractual services and supplies.

The concessions and pro shop slice is ten percent of actually our cost goods sold for both the pro shop and the concession stand. So it includes when we purchase hockey sticks or skates or whatever that's the cost of the goods sold and we mark it up and sell that merchandise. Depreciation is another slice accounting for seven percent. That's the use of the equipment and buildings that were built in 2004. So whatever we're using for 2006 that's the cost for

recognizing. Program expense includes our instructors for the programs. It also includes league expense at \$14,000 and also the cost of our synchro team expense at \$19,000 including dresses, competition fees, jackets and tights that are built into the price of the programs.

This chart compares last year's budget to our proposed. We're looking overall expense wise only going up a small amount at three percent overall. Wages and benefits we actually are going down. After being in operation you start to realize where you really need people and where you don't need people and are able to slim down and know better how to operate the actual facility. We did have a formula that kind of directed us but all facilities are a little bit different. So we were able to decrease that area partly with the help from Ken once he got here to see what was all scheduled.

Programming also, again, as we're in our second of operations you kind of get to know what you need, you know what kind of student ratio works the best and we were able to reduce some expense in that category also. Pro shop and concession is the cost of goods sold for that and we're increasing revenue some so we have to increase our expenses for buying the cost of goods that we have to sell. Depreciation we're leaving the same. That \$88,000 incorporates the new building already into that figure. It could change slightly but that's in the ball park.

Utilities, again, it's gas and electric mainly being the increase of \$67,000. Then we have other expenses of contractual services, repair maintenance and that kind of stuff, and that pretty much stays the same going up only a small four percent, more truing up the operation than what we really need.

So this slide brings those two previous slides together. It shows our total operating revenue for the IcePlex and expenditures for the IcePlex and then builds in the new programs, the new program requests being revenue generated, a net revenue generated of \$261,420. Those are the programs that were described earlier, and also program reduction for this year was the reduction of our lighting and sound technician down to just a DJ position. So we're looking at an operating gain for this facility of \$453,000. Last year we only budgeted \$16,000 as we were starting to gear up to what we need to have this facility break even.

Now I'd like to switch to our non-operating. IcePlex also has non-operating just as the RecPlex. IcePlex does not have any non-operating revenues like RecPlex did. They just have non-operating expenses, and our major non-operating expense just like the RecPlex side is our interest expense on our debt service. That's pretty much staying the same, going down slightly because we've made a slight payment in principal for our debt service.

And the next category which is a small amount is our debt amortization, the cost that we paid when we initially issued the debt being spread over the life of the debt. So we're looking at actually a negative number here just as we did with RecPlex of almost \$457,000. So when we look at IcePlex we're actually realizing a net loss, a slight net loss of \$4,000 here in terms of when we look at operating and non-operating.

So now we'll take and combine the two facilities together. This is taking the RecPlex net gain and the IcePlex net loss and giving you the total rec enterprise net gain. Right now we're looking at a net gain for this year proposed of \$613,000, almost \$614,000. Last year we actually

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budgeted a net loss for the facilities together of a little over \$300,000. That was due to expansion that finished up, the IcePlex was just opened. We were budgeting what we thought we could do. We weren't quite breaking even and we knew we had to ramp up to what we needed to cover the expenses. So last year we budgeted to get half way up the hill, and now we're pushing to get over the hill to try to cover our operating expenses for that facility. Are there any questions on the IcePlex portion? Then I'll go into the total.

Mike Pollocoff:

I think one thing I want to point out and we'll show as we go forward, as Kathy indicated in the pro forma we hope we're going to do better now, but we're not too far off from, and you don't want to say we budget for a loss, but the IcePlex opened up in September of the previous fiscal year, so we had three months, and it really got going in October, three month's performance and then a year. For six months of the year we were missing two ice professionals. And we hired Ken in, and then Ken staffed up really at the beginning of this program season here. So this proposed year it's just about almost a full year at having, our first full year of having work at it.

When you balance out the IcePlex and the RecPlex, we keep track of them separately because we want to know what operational expenses and revenues are driving in IcePlex specifically because that's newer to us. But you've got to remember that IcePlex also drives RecPlex memberships. IcePlex drives RecPlex programs. So you have figure skaters who are taking ballet, Palates, weight training with the hockey players, so what happens is one use in RecPlex because we offer discounts in the programs drives the RecPlex. The RecPlex won't see the same operational expenses that IcePlex sees because all they see is the revenue side of whatever the spillover is from IcePlex. So at the end of the day our goal is to definitely have, and we're coming close this year and I think if we really push we'll make it, to get IcePlex fully set up which for me would be ahead of the schedule that we would anticipate, but both enterprises will be operating to the positive.

The things that kind of caught us for a loop this year, and I'm hoping at some point this has to slow down is that as you look at those budgets utility expenses really snuck on all these. You haul \$170,000 out of the budget for changes in the utilities it starts looking differently. But we're assuming that we're going to get spanked again next year. That hurt. But I think you've got to look at that whole enterprise as a big picture. I don't want people to think that RecPlex from a cash standpoint in the reserves is getting IcePlex started off, but RecPlex does add membership and program value to RecPlex that they wouldn't have otherwise.

Alex Tiahnybok:

I realize that the 2006 number are budget numbers, but we're making comparisons to 2005 budget. My question is, and I don't believe we have our final numbers, probably not, for 2005.

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Mike Pollocoff:

No.

Alex Tiahnybok:

But in the budget sheets that we got there was what appears to be an amended 2005 or the final budget for 2005, and then there's actual. I'm assuming that was to a certain point in time in 2005?

Mike Pollocoff:

It's amended '04.

Alex Tiahnybok:

So the actual '05 was budget for '05 and then estimated was how we expected the year to end, is that correct?

Kathy Goessl:

Actual '05 is through mid December.

Alex Tiahnybok:

Is it annualized?

Kathy Goessl:

No. It's actual numbers through mid December, estimated where we projected a couple weeks ago where we expect to end the year.

Alex Tiahnybok:

The reason I'm asking is for the RecPlex just on the net gain/loss number the budget number for '05 was 647 to the positive, but through what point in time when this was run? Because the estimated net gain for '05 when this was run is only \$94,000, is that correct?

Kathy Goessl:

Yes, we don't book depreciation until the end of the year. You can see there's a big space up there if you look at depreciation of \$600,000 that would take that number down by \$600,000. So we budgeted a net gain of \$99,000 for RecPlex. We're estimating to come in at \$94,000 for RecPlex for 2005. For IcePlex it's a little bit different. We're a little bit further off than RecPlex. We budgeted a loss of \$415,000 and we're looking at almost a \$600,000 loss in terms of net operating and non operating.

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Alex Tiahnybok:

The other thing that concerns me is obviously the new program requests were optimized for revenue generating new programs, and for RecPlex let's just say if the new program requests didn't generate the amount of revenue expected we'd still be in a positive for net cash flow, but on IcePlex it only gets worse because it's an expectation of \$261,000 of revenue generation from new programs. Kind of related to what Mike was saying if we're going to spend some money in marketing I think that's where we need to do it, because that \$261,000 if it doesn't materialize at \$261,000 net profits from new programs only makes the bottom line number worse.

Mike Serpe:

This may sound foolish, but with the utility costs the way they're going, would it ever be feasible at some point in time to consider some type of solar power for that building?

Mike Pollocoff:

That's one option. The other option that I think is going to be better for us is, and we've talked with the State about it and governments are not able to do this but private companies can, if the Village, the Kenosha Water Utility and City or whatever were able to group together and buy gas at a fixed price from We Energies, and you can do it at your house and you can do it at a business but we're prohibited from doing it, we could really save a lot. We could normalize our costs. Right now we're doing this. We're doing it with the utilities and it hurts us, you see it on the utility side and we're doing it here, whereas a company, and they kind of roll the dice, too, but they say I'm going to buy gas at so much per therm and buy your electricity at a fixed rate. We're prohibited from doing that. And the only reason we are is we're government and when that was set up we didn't have the lobbying as a government with some muscle to do that, so we just kind of ride the roller coaster. If you're in a market like we are in now you're going to pay the top freight. If we were Manutronics or Rust-Oleum or Lawter they've entered into their contracts, and maybe it's a little bit high because, again, you're on the futures market basically, but you've got a fixed cost. I know we could do better. That's the long-term answer.

We've met with the State and they've talked about group purchasing and group buying and I told them if you really want to impress or really help somebody, get that squared away because you could help every single government. Our utilities and general fund and this we spend with We Energies I want to say the number is close to \$900,000 or \$1 million and we have no control over it. Nobody has control over it, but the extent that we could take advantage of partnering up with other entities and all of us saying we're going to purchase this much gas at a time that would be beneficial. That would be way better than throwing up a solar panel or wind generator. It just makes sense. Hopefully with the utility crisis we're going through now that's going to be something that maybe they'll address. Everybody got excited about the thing with the gas . . . but it's going to take it out of somebody's pocket and that's the problem.

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Steve Kumorkiewicz:

That was a subject that we never thought of last year when we had a meeting with the . . . Alex . . .

Alex Tiahnybok:

We talked about it.

Steve Kumorkiewicz:

Yes, we talked about it but nothing ever came out of it. It appears to me that

Mike Pollocoff:

I think we need to keep talking about it and pushing on it.

Steve Kumorkiewicz:

We need it. That's a must.

Mike Pollocoff:

Pretty easy stuff.

Jeff Lauer:

I just have two comments. First, Kathy, could you explain and you mentioned earlier that they get \$80,000 for ten years from Time Warner. What's that type of agreement for? Is that for the next ten years I think it was?

Mike Pollocoff:

That's an agreement where we entered into an agreement with Time Warner. They agreed to when we did the broadband with them at one point we had looked at doing a dark fiber network ourselves at \$2.4 million because we couldn't get anybody to partner or even come out here and do something. And at the time the Village started to do that a lot of the communication carriers were getting nervous with SBC, ATT now, and Time Warner. And the concern was that the Village was going to go ahead and start this utility up and bring broadband out for the corporate park and suck up some customers that they had. It was almost like a run to the edge of the cliff. We were all kind of running together and who was going to jump off and start spending the money to make it go. Both sides were talking to us about can we partner, is there anything we can do to help, how can this happen without you, the Village, getting into the Village?

And when we came to the edge of the cliff we stopped and made a deal with Time Warner who had the best deal. They installed I think it's 26 miles of fiber optic throughout primarily the corporate park because that's where we didn't have any. It should be lighting up here any day as

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we speak. Then they also agreed, they said if we're going to do this for you what else can we do for the Village? And it cost us \$1 million to pay for that fiber optic. They agreed to provide sponsorship to IcePlex for \$80,000 a year for ten years, and they also agreed to provide the Village's broadband services that we use for our computers for free for ten years. We ended up to our mind coming out about \$1.7 million in things we received.

Their requirement of us was that they didn't even ask for center ice. They just said you need to advertise Time Warner at RecPlex and IcePlex which to be honest with you we've been trying to do. They've really got to give us something to advertise.

Cathi Klaver:

The dasher boards just came in so they'll be on the blue rink, and they are sponsoring our internal television environment so you'll soon see labels on all of the televisions underneath that say powered by Time Warner. So there's some internal exposure for Time Warner that was agreed upon.

Mike Pollocoff:

RecPlex doesn't have to pay for satellite cable or XM radio anymore because they have cable TV that's for free. We basically got a good base start for channel 25 to be able to put that together. That's what we got from Time Warner. As Kathy indicated we're talking to three banks right now that for \$50,000 a year for five years would sponsor center ice at blue rink. Those are things that you begin matching up with the demographic profile, the kind of people that come to RecPlex, their income and what they buy. There's a lot of people that want to have their products in the eyes of the people that go to RecPlex because they're spending a good chunk of money.

Jeff Lauer:

The only other thing I think obviously we should all be aware of, you mentioned at the beginning that the RecPlex is getting the last donation of \$571,000 from WisPark, so that's probably going to be a good chunk of change we're got to make up in the future. I'm sure you guys are already thinking of that. It's like shared revenue, you get it one day and you might not get it the next and all of a sudden you've got to make it up.

Mike Pollocoff:

What we did with that was \$4 million altogether, so we structured our debt so we paid an extra \$576,000 in principal every year so that didn't go in operations. So we overed our retired debt in the first six years so we could have that taken care of. So what happens next year is that original debt issuance for the original RecPlex goes down by \$576,000 in principal.

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Jeff Lauer:

Okay, good. Thanks.

Kathy Goessl:

The next section I would like to look at is cash, the rec enterprise cash flow. I know we're looking at a net gain, but our main concern is not to recognize a profit for the business. It's to break even in our cash. It's to keep the amount of cash we need to operate the business. So the next step is to look at cash flow and where we're at. We have not looked at our principal payment. That is one of the things that has not been recognized in terms of this enterprise.

The rec enterprise has cash payments that are not recorded in operating or non-operating expenses. Due to accounting rules, these types of payments are not recognized in the operating or non-operating. They're recognized as just a cash flow against our balance sheet. The first one is principal payment. This slide shows our RecPlex and IcePlex in the amount of principal payments that we have currently scheduled, what we had scheduled for last year that we paid, and what we have scheduled for the coming year of 2006 to make payments on. We're actually jumping this category. The initial year of the RecPlex expansion and the IcePlex we did not increase a lot. We had a small increase in principal payments. We wanted to get the facilities up and running and going before we socked them with a principal payment. That's why for 2006 we figured they would be at a point where they could start making larger principal payments. So that's why we had the jump there in principal payments.

The other area that's not recognized in the operating/non-operating section is capital purchases. Cathi talked earlier in the presentation on the capital purchases that we're recommending. There's a list for RecPlex that totaled \$211,000 or almost \$212,000. That's cash being paid out to purchase those items or replace those items. In IcePlex the \$3,500 that we talked about earlier. So in total last year we were looking at about \$750,000 in capital or cash being paid out, and this year we're looking at a little over \$1.4 million. These are cash payments that are not recognized above. Last year for capital we don't show any capital expenditures. That's basically the end part of our expansion, IcePlex and that type of thing. We borrowed \$13 or \$14 million and those bond proceeds were used for that, not the operating cash that was generated to pay. But at this point we're using operating cash to pay for capital purchases so that's why they're shown here.

Then the other side of the coin we look at expenses that are recorded up in the operating area but does not use cash, and that's only one item that is major. I mean there are minor things that also don't use cash or use cash not reflected above, but we're just looking at the major things that do or do not use cash that's not reflected above. The major thing here is depreciation. This is the use of the equipment that we paid five years ago for RecPlex and a year and a half ago for IcePlex. This recognizes the use of that equipment over its useful life, so we have those expenses recognized in income statements up above, but we do not need to pay cash out at this point. So this is the depreciation.

So what's the net cash flow that we're proposing for this 2006 budget? If you go back prior to this cash flow presentation part where it showed the recreational enterprise net gain or loss, we're looking at that loss from last year we budgeted at \$316,000, but this year we're looking at

\$613,000, the number that we ended with in terms of gain/loss. You take the cash payments that we need to make that's not reflected in that gain/loss and also the non cash payments that we don't need to make like depreciation.

Then there's one more line item that gets added in. We are collecting impact fees currently for the pool expansion, and one of the capital projects that was mentioned was the planning and design of the pool for \$100,000. What's going to pay for that \$100,000 design is the impact fees or the preliminary stuff, so I've added that \$100,000. As soon as that money is spent that money is transferred from--currently it's held in the general fund for that purpose and it gets transferred over to the RecPlex to help them cover that cost of that planning. So for 2006 we're proposing actually a slight gain in cash for this facility of a little over \$12,000. Last year we budgeted for a cash loss due to the start up of the IcePlex mainly of about \$379,000. Currently I'm estimating the year for 2005 to end about \$700,000 in cash for the recreational enterprise. If there are any questions on cash flow?

The next area we're looking at, a little separate segments, is ice rental hours and ice rental rates. That was a major revenue source for the IcePlex was rental. I'd like to explain what type of rental we have because we're proposing some rate changes in the hourly rate that we're charging.

This shows our ice rental hours that we are requesting or budgeting for for 2006. We have two different seasons. We have a seasonal which is September through March. We consider that to be our season over at the IcePlex. That's when most of the activity happens, and our non-seasonal period which is April through August. We also have prime and non prime times during both of these. Our prime times during both of these weekdays we include 5 to 10 to be our prime time hours that people would want to be there. On weekends it starts at 8 a.m. and ends at 10 p.m. both Saturday and Sunday. That does not change when we go to non seasonal. That's the same prime time versus non prime.

So for 2006 we're budgeting to rent during our seasonal period a little over 2,000 hours of ice. That's 84 percent of our ice rental revenue in that seven month period. Non seasonal wise is the other 16 percent, almost 400 hours of ice rentals. So we're looking at total ice rentals that we're budgeting at 2,450 hours. Who is renting this ice from ice? Our major group that's renting is Blue Line. We currently have a contract with them that was set up even before the IcePlex opened. They're the ones that are renting 60 percent of our ice, and the other 40 percent is being rented by other groups that were mentioned earlier, hockey leagues. Blue Line mainly has rented from us only in the seasonable time frame, the September through March and currently mainly during prime time ice. Ken has worked with them to get them to take some of the non prime ice time so we can rent some of the prime time to other groups. Blue Line you can see is renting almost 1,500 hours of ice that we're budgeting for for this coming year.

Other rentals account for the other 40 percent. 75 percent of their ice rentals are during prime time and 25 percent is during non prime time. So I outlined this first to show you where your hours are being rented because we're making a proposal to make some changes in our rental rates to promote more ice rentals.

Currently we have a contract with Blue Line. The contract sets the rate that we agreed upon. For our 2005/2006 season which we're currently in and just getting to the final end of it, their rate per

hour is \$210. It doesn't matter whether they rent prime time or non prime time, it's \$210 whatever time they rent. For the 2006/2007 season their contract with us is \$220 an hour for ice. So automatically through the contract we're looking at an increase for Blue Line of \$10 per hour, and that's been budgeted in for 2006 budget proposal.

So these are our ice rental rates. On the far left is our current rate. Currently we only have one rate or actually three rates, but no matter if people rent during prime or non prime we charge \$225 an hour, and we don't have any distinction between the different hours or the different seasons. We currently have a special event in our ordinance of \$250. That's for anybody that comes in and runs a special event and makes some money off our rink. And we also did give a discount for anybody that rents more than 75 hours of ice in a certain time period. A lot of our contracted hockey leagues go over that, so a lot are averaging the \$200 rate at times.

So what we're recommending, since the demand is high at prime time, the price should reflect that demand. The supply is low, the demand is high and we need to look at increasing their price during our prime time and directing people toward our non prime hours. So we're recommending a price increase for prime similar to Blue Line of \$10 an hour, directing them up from \$225 to \$235 an hour. That's our prime time hours, both season and non, both seasonal only so it's a \$10 increase.

In the other areas, non prime time and non seasonal ice time we're actually asking for a rate decrease to help direct people toward those areas and increase the amount of hours we rent there. It's better to get something than zero. The ice is there so we're looking at a rate decrease to help attract. We believe that Kenosha Ice is charging the adult hockey league about \$190 an hour. So we're trying to be a little competitive and maybe pull these guys over to our rink. We're looking at eliminating the special event rate and also over the 75 hour rate and just going with just seasons prime time or non prime time, or non seasonal prime time and non prime time. So there's the rates listed showing what we're recommending and what is in the proposed budget currently and the change in the amounts at that point.

Cathi Klaver:

I think we gave you guys a lot of information to consider. The final slides here today just bring us back to the goals for the division and keeping the staff focused on hitting the targets that we have placed out here. So we as a group for RecPlex and we look ahead to the next 12 months, we hope to maintain or expand the facility based only on demand; maintain fiscal reserves to ensure the sustainability of the recreation enterprise; we hope to continue the outreach to the community to ensure programming and services are meeting the needs of the residents. We're going to work to ensure that the facilities and the programs remain accessible both financially and physically to everyone in our service community, and finally to remain the number one choice for family recreation and fitness in the area.

For IcePlex there are a few other things that need to be focused on and primarily being the fact that the facility will be successful as long as they strive to achieve maximum ice utilization, which is a balance between public skating sessions, instructional programming, as well as rented ice. 2006 will also be a substantial year for summer ice programming as you picked up on before with the new programs that are being planned. There's a focus on in-house camps and clinics for

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all levels, and 12 weeks of recreational day camp for both hockey and figure skating. We know that those are big targets but they're going to certainly be our goal and our focus throughout the year.

Community outreach efforts will certainly intensify to area school districts for field trips, facility rentals as well as corporate events. It is our goal for that division to establish and maintain a thriving figure skating club which was also lacking in 2005. We hope to establish and maintain a thriving hockey program by adjusting to some of the things that we're learned throughout the year. We hope to continue to serve the youth and teen markets and grow those with additional themed public skating events. As all of our programs within the enterprise, the IcePlex will also evaluate and improve the quality and the depth of the instructional programming for both figure skating and hockey. And then, finally, continue to focus on staff development and employee retention efforts. At this point we'll take some questions and further discussion.

Mike Serpe:

I don't want to beat a dead horse, but that's very aggressive on what you're looking at for the IcePlex especially and for the RecPlex. I'm going to highly recommend you reconsider the amount of hours you're sticking into marketing. I don't think we should go backwards on that. I think we should go the other way. You've got a lot of points on the IcePlex alone that you could fill with active marketing. I just think it's money well spent.

Cathi Klaver:

I thoroughly agree with you. I'm a marketing person from way back, and in RecPlex we have very aggressive marketing people and we believe in that. What we have learned though, however, and I'm going to ask Ken to step up and talk a little bit, ice arenas are a little bit of a different beast when it comes to marketing and having the luxury maybe to being able to allocate those types of dollars. It's a different industry than the traditional recreation and fitness industry. Their expenses are a lot higher. Their profit margin is really narrow compared to the traditional enterprise that we're accustomed to and we're learning. I'm going to ask Ken because he's been in the industry for many, many years, maybe just to address the IcePlex and how an ice arena and the industry views the strategies in marketing an arena.

Ken Knight:

My background in two other arenas, one in Indianapolis and one in Evansville, both in Indiana, I'm used to such a slim budget you wouldn't believe. I think we had like \$3,000 to \$5,000 for marketing and advertising and that was it. We had to do a lot of--our fliers were legal sized tri-fold, five cents a copy and distributed them ourselves. The ice community is unique in that they are together. If they're hooked on skating they come to this area they're going to find us. We

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don't have to go out and get them. They're going to come to us. That's your hockey, your figure skaters, your die hards. So what your market is your lessons program and your public skate. Of course, we do have the day camp and that will take some effort there.

But again the Play Book, the Play by Play, they're wonderful. They're beautiful. They're expensive from my standpoint, from my budget. So I'm looking more to do low cost and more mass distribution in that area and in an effort to save the budget is what we're trying to do.

Mike Serpe:

I'm just trying to help you.

John Steinbrink:

Other questions?

Alex Tiahnybok:

Can we go back to the rate structure for ice time. Contrasting it to it sounds like we have a negotiated agreement with Blue Line already for ice time?

Cathi Klaver:

Yeah, that would be everybody else I think.

Alex Tiahnybok:

If I was a volume buyer, which I think Blue Line qualifies for that classification, and my rate was fixed, if I understood that correctly for Blue Line currently it's fixed whether it's prime time or non prime time. If we incentivize them to look at non prime time, obviously the general rates are lower than our negotiated rate with Blue Line. If I was them the first thing I would say is if I'm going to be flexible and accept those non prime hours I'm going to want to get those non prime rates. Have we looked at the financial impact of what that would do? Because it looks like Blue Line in terms of total hours is a significant factor, correct?

Mike Pollocoff:

Yeah, Blue Line is the gorilla.

Alex Tiahnybok:

So they're going to look at that \$220 as a negotiate rate and they're going to say so you're telling me if we're going to play hockey in June at non prime you're going to charge me \$220 and you're going to charge everyone else \$180? That's the first thing I would ask.

Cathi Klaver:

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Well, our contract is our contract.

Alex Tiahnybok:

Yes, but you can win the battle and lose the war. That's my point.

Mike Pollocoff:

What we want to be able to do, and really Blue Line is September through March. And what we want to do is be able to incentivize them to get in on non prime time and renegotiate the contract to allow that movement to go to a lower rate. What it does is it allows us to bring in more hockey clubs at the prime rate.

Cathi Klaver:

Ken has a waiting list for prime time.

Mike Pollocoff:

Right, we can do prime time all day long. So if we cut in that seasonal part, September to March, cut the rates and make it possible so Blue Line stays a little later, comes in early in the morning, comes in whatever, that means they're buying up ice that's not being used. That gives us more prime time ice to sell at a higher rate. The real key thing is, and that's what Ken is doing a great job at, is bringing other people in that want to rent ice. So right now he's telling people get in line for next year.

Cathi Klaver:

It was interesting at the Rec Commission meeting one of the Commissioners is an active Kenosha Komets member, and he's also from the Minnesota area where the demand for ice is so great, and he was commenting on how good the Komets have it here because of the contract that we have. And that he's going to go back and help them understand that they really need to be more flexible with us and really loosen up that prime time stronghold that they have.

Alex Tiahnybok:

Let's forget non seasonal, but the seasonal rate for anyone off the street is \$200. That would be the recommended rate, correct, if I'm reading that correctly?

Mike Pollocoff:

For non prime.

Alex Tiahnybok:

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Blue Line is going to say, hey, we're the 800 pound gorilla and we're getting charged \$220 for non prime?

Mike Pollocoff:

That's what we want them to say. And then we want to say let's talk about your agreement. You take some of the non prime time and give up your prime. That way you'll get a lower rate.

Alex Tiahnybok:

Okay. I just want to make sure we're prepared for that.

Ken Knight:

Essentially you've taken all the prime time and no one wants the non prime so we're discounting it to try to maximize and keep everyone's rates low. What I really want is them to offer a summer league and we're working on that. That would certainly help.

Mike Serpe:

Do we have to adopt this tonight?

Mike Pollocoff:

You're going to see this Monday night.

Mike Serpe:

The whole presentation?

Mike Pollocoff:

No. Well, Cathi will have it down by then so it will be--

Steve Kumorkiewicz:

One page.

Cathi Klaver:

And this is the short version.

Mike Pollocoff:

The resolution will be up on Monday night for your consideration. So are there any comments?

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You've recommended changing the marketing. We can put more money in there.

Mike Serpe:

If you're satisfied with it. I'm just saying I just think keep on promoting, promoting, promoting. As long as you've got available space and open time promote it. Who knows what you're going to land. Anyway, while we have most of the department heads here tonight from RecPlex you guys are doing a terrific job. Took a tour the other day, met with Tommy, Tommy carried on from Gary. The place looked brand new the day we opened it and it still looks the same today so nice piece of work Cathi, Ken, Lynn.

Cathi Klaver:

For the other Trustees who don't know those nice faces out there, Erin is our therapeutic rec director. Nicole manages the pool and all the life guards and all the issues that come along with youth, managing teams and things. And Lynn is the assistant director. We have about half the group here.

Mike Serpe:

One other comment. Ronnie, do you know when it comes to budget presentations seniority makes no difference.

Steve Kumorkiewicz:

A comment on this, I talked to people and went to the RecPlex many times even though I'm not a member, but just to see, and I like to talk to the people who are at the RecPlex and the IcePlex, and all the comments I hear are phenomenal from people coming from out of town just for the facility for what we have to offer here. I think right there we save a lot of money on advertising and marketing because what I gather from you the ice community is different than the rest of the community. Consequently, the way you are tackling the issue of marketing is the way it should be tackled and it's paying off. So the RecPlex is a different story than the IcePlex. I pretty much go with the recommendations of you guys. The ice community mentality But all of you guys are doing an excellent job over there. As I said, I drove by many times to see what's going on and the comments I get from the people is they're impressed. It's a private club. That's the way they look at the RecPlex and the IcePlex. I'm impressed, too . . . recreation that we have. They're doing an excellent job over there. It's a service that nobody else has got in this area. So good job there.

Mike Pollocoff:

I might add that the Recreation Commission recommended unanimously that the enterprise be adopted as presented.

John Steinbrink:

Thank you very much.

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Mike Pollocoff:

Mr. President if I could request a three minute break.

(Break)

Ron Kammerzelt:

Alright, we'll get started. Mr. President, Board of Trustees, good evening. This is the utility budget and utility overview for sewer. As Mike had stated, we did talk about the water previously some weeks ago, and with the City of Kenosha announcing a sewer rate increase this week we couldn't logically finish this up. Some of the things, bear with me, will be redundant simply because the utility is sewer and water. Employees are split between both and equipment is split between both. But overall it's the sewer portion of it. I'm a little hesitant to name a utility after you just got done beating up on utilities, but let's understand that the RecPlex utilities are gas and electric and not sewer and water. Those are quite cheap.

Our organizational chart is such highlighted is the new mechanic that started last year, January 4th, and then the red highlighted is what we're requesting as a part-time data entry person. The total worth of sewer infrastructure, the sewer utility is worth \$58,021,215. The net value after depreciation is \$43,287,546. Our sewer volume is approximately 775,000,00 million gallons of waste water per year. With that 550,000,000 is sent to the City of Kenosha. Treatment plant and the remainder to Sewer D. This picture is of Sewer D and also this picture. Then 73-1 is our other treatment plant, package plant which is in this picture. We have 110 miles of sanitary sewer line.

I got a little bit ahead of myself, excuse me. The treatment plant, Sewer D, pumps about 400,000 gallons per day and 73-1 pumps 300,000 gallons per day. And as you know and was reported to you by the Village Engineer, by 2010 both treatment plants are scheduled to come off line and all waste water would then go to the City of Kenosha. We have 17 lift stations, the largest one being this one in the picture, LakeView Lift Station located in the industrial park with a design capacity of 10,000,000 gallons per day. This is the onsite generator. If there is a power failure it has its own generator to keep things running.

There are three floors. It's 40 feet in the ground, the second floor being the motor room, the bottom floor being the pumps, and the top floor being the control room. Conversely our smallest lift station is the package lift station such as what you see in the picture here which has everything in this unit, two pumps, piping and the controls all located within this structure. This one is in Heritage Valley. Another type of lift station that we have is this one here that has just been rebuilt in River Oaks where it has its own onsite generator. This one was updated recently when it was rebuilt after the 2004 floods because it was inundated with water and FEMA paid for a large portion of this with a grant. Since it was an existing neighborhood, the building was constructed to duplicate the house directly across the street. It has the same brick, siding, roof so that esthetically it goes with the area.

All new lift stations are now required to have onsite generators in new developments. We

currently have two portable generators for some of our smaller plants. If you could imagine a large power outage we wouldn't have the capability to go to all the lift stations and power them up which would result in flooded basements and backups, and so with requiring onsite generators in our new developments that eliminates that possibility.

Our utility staff operates the treatment plan which includes plant functions such as pumping, monitoring, cleaning, lab analysis. As you see here this is the lab at Sewer D and industrial analysis. Employees collect industrial samples as well as split sampling with Kenosha for analysis. All analysis is recorded and reported to the Wisconsin Department of Natural Resources who permit our plants under strict guidelines.

Staff monitors all lift stations, wet wells and flows through our SCADA system which tracks data to a central command and reporting center something like what you see here. Here we have a picture of the Timber Ridge water tower actually. With the click of a button that can go to wet wells, lift stations, show alarms, high level alarms, pump failures, pump runs and data and generate graphs such as this. We have two trucks, this being one of them that we clean our sewer mains with. Our utility truck here and backhoe are always loaded and ready. We're ready 24 hours a day. The utility keeps a high level of inventory so that needed parts are on hand 24 hours a day, 7 days a week. The only exception to that is when we are plowing snow this truck is fitted with a plow and salter so it can go out and plow the roads. Otherwise it is always ready. Or, if it is plowing snow and there is a water break that takes precedence. We camera mains and laterals for infiltration of water other than waste water, and the camera inspects sanitary sewer new construction. We also monitor and inspect all commercial grease traps.

This pie chart represents utility personnel hours by activity. This shows it from October through September sewer only. And starting at the top and going clockwise we have miscellaneous sewer which could be call outs for backups, plugged sewers, which is 6 percent; sewer main cleaning 23 percent; sewer main repair is 3 percent; televised sewer mains, laterals, holding tanks or wet wells 19 percent; lift station repair is 3 percent; sewer plant inspections is 15 percent of their time; industrial sampling manholes 4 percent; lift station inspection is 13 percent; and maintenance of equipment and vehicles 5 percent.

This next chart is a little busy where it adds in besides the water and waste water training and few other things and I'm not going to go through them all, but you can see the breakdown of various maintenance activities. Then there's snow plowing which in our total utility relates hours of 87 percent 13 percent of all time is spent on plowing snow.

Our 2006 sanitary sewer utility reductions the sanitary sewer portion of our 2006 budget is a reduction of inflow and infiltration in the Cooper Road area. It is bordered roughly by 86th Street to the south and 75th Street to the north. Specifically, Beverly Woods, Burlison, Cooper Heights, Lawlers, Mickelson, Midwest Highlands and Oaklawn. As you can see on this colored chart those are the neighborhoods that we are proposing to do an inspection on and a reduction in inflow and infiltration. Parts of this area had a sump pump program in 1998 and 1999. There were homes built in the '50s and '60s that had basement footings . . . tied in directly to the sanitary sewer. Combined sewers, that is sanitary and storm, were combined into the sanitary main easing up its capacity during rain events and as a result backing up and flooding basements. We improved the area, however there is still inflow and infiltration that needs to be corrected.

Manholes need to be inspected and mains and laterals need to be cameraed or televised.

This area has clay mains and laterals that crack, break and leak in time. We have had I and I reduction programs before, however, and with our hold camera system we'd camera the mains with one camera that was sent down the main and then mounted on a track unit. It would propel itself to the next manhole. Staff would then with a mini camera push the camera and start at the homeowner's lateral, usually a clean out in the homeowner's basement and camera the lateral to the sanitary main. The problem with that is that each homeowner had to be contacted either by phone or letter, sometimes registered mail if necessary, and an inspection had to be scheduled. That was time consuming and inflow and infiltration must take place during wet weather, ideally right after a rain event. By the time everything was set up and scheduled the wet weather had passed.

The other part of that is the homeowners are reluctant to let us in their home and understandably so and it's an inconvenience. Someone has to be there, and if the homeowner can't take off work the utility had to incur overtime. Our new camera setup is a track system that pans the main like we always did, however it has a mini cam that launches off of the main camera off of the main and goes up into the lateral and cameras that lateral without entering anyone's home. It can go up to 80 feet. It saves us a lot of time and we can now inspect in a timely manner.

With that I'll show you our dirty movie for the night. There it is traveling down the main with the main camera. This is what that main looks like out in the street and it's going to pan up, it's going to come and look at that lateral, and then that main camera is going to watch the mini cam launch in a moment.

Mike Serpe:

Ron, what happens if somebody were to flush at the same time?

Ron Kammerzelt:

Then you'd see water coming down and a few other things. There it goes. It's launching up and the main camera is watching it. On the small picture, the big picture is showing the mini cam going down the lateral. There's a bend and there's the end of it. This is actually a brand new main in Whispering Knoll. I wouldn't put the real thing on here. I wouldn't do that to myself, so this is all clean water. It's a brand new main.

This chart is what all of these neighborhoods that we just talked about this is their design. This is the flow that they're designed at, and all mains, laterals, manholes are designed for a certain flow. In that design there is an allowable inflow and infiltration that's also in this chart. So all these neighborhoods the design flow including allowable infiltration is 3,031,166 gallons a month.

This is a chart our SCADA system can work on, and it shows the actual flow as it goes up and down. As you can see in relation to precipitation in the red or pink you can see how the flow goes up and down. That tells us that we inflow and infiltration. It can also tell us other things. I'd like to point out as you get used to looking at these things with a trained eye, when you look at the precipitation you can see what this graph represents. This is just water coming over the top

through the manholes through inflow and this line . . . you can see it goes up and instead of going right back down it drags Now, that can mean a couple different things. It can mean we still have water coming over the top, however that's not all of it because the line is going down slower. It also means a couple things, that there's either laterals that are leaking, and as that water table drops that goes away, and if the mains are leaking you'll still see that line moving out. Or, it can mean sump pumps, and that's why that line is moving out. So we can learn a lot by that graph and what it's doing in regards to inflow and infiltration. Here's just another example of it as it goes up and down.

As you can see there is a problem here. Compared to the design flow if you look at the graph in million gallons on the left we're going up to almost 700,000 when we should be at 300,000 to 400,000. This is a pie chart, but if you think of this as the main pipe, this is what can happen at peak flow or a high storm event such as we had in 2004. The regular flow takes up 60 percent of the pipe which is normal. But the I and I, inflow and infiltration, uses up the rest of the pipe which is 40 percent. When that happens there's only one other place for it to go and that's backing up into the laterals.

This is a cost comparison for those neighborhoods for the Cooper Road flow meter. It depicts what I and I costs in 2002, and then the regular flow; 2003 was a dry year; 2004 we had that wet spring. You can see how I and I was actually the highest, and then 2005 which has also been a dry year, but it's the cost of water other than waste water going into our system. So that's the neighborhoods we'd like to run a program on for this year and that would be for our reduction part of our budget.

Our new program requests and again this is water and I apologize for that, but LakeView Water Tower repaint at \$87,000; part-time data entry clerk at \$15,729 for a total capital request of \$102,729. The reason for the data entry clerk is that there is still two years of lost data that needs to be entered. It's critical that this be entered for proper tracking of Village assets. We just haven't had time to do it with present staff.

Capital requests for the construction crew is a new Case 721D wheel loader for \$68,500. Current wheel loader is to the point where repairing it is not cost effective. It's more economical to replace it while there is still a good trade in value. And then the pipe laser which is \$6,500. It's an infrared laser to establish grade and the old laser is wearing out.

Capital requests for the sewer utility is Sewer D building update. This room is used to inject . . . chloride for odor control. It's highly corrosive and the room needs updated. Number 2 is SCADA flow meter hookup which would connect to Westwood/Timber Ridge flow meters to supervisor control and data acquisition, a system for more accurate data from the meters. Number three is hookup to 73-1, again, more accurate data from lift stations, less downtime and OT and the elimination of dedicated phone lines. Number 4 is a portable flow meter. And this is one of those requests that I need to do some of the inflow and infiltration that I talked about. We can go by the master meters and what those flows are, but if we can use portable flow meters and break down neighborhoods and even streets we can move up to the problem to where the leaks are.

Industrial sampler, automatic portable sampler used for waste stream analysis. The oldest sampler that we have now needs replacing. Number six is a tank mixer, the motorized mixer for

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solutions and eliminates mixing by hand. Number 7 is reconstruction of Carol Beach Unit 6 lift station. Carol Beach's consistent retrofit failure results in a high number of call outs and increasing the expense of labor. I would like to retrofit that and get it updated. It's getting pretty old. Number 8 is InfoSewer software. InfoSewer is a fully GIS integrated sewage distribution and modeling and management software with supporting upgrades available for future years. This software is critical in understanding the current sewer system and plan for future development and what their impact will be on our current sewage system.

Then the last three have to do with TID to the west of the I, the first one being the road north of Highway Q to the I-94 crossing and sewer extension needed to develop west of I-94. TID 2, 128th Avenue sewer and then 108th Street sanitary sewer.

Capital requests, this is a sewer and water split, they're used for both is a used van for \$16,000. The next oldest van needs to be replaced in our fleet. Then a 3/4 ton pickup. All pickups in the fleet are over 100,000 miles currently, and a new pickup is needed or another used pickup is needed. The cost of that is \$20,000 for a total of \$36,000 requested.

Goals and objectives for sewer and wastewater: Sewer D building rewire. The wiring in the building is old and needs to be updated. Number 2 is Westwood and Timber Ridge manufactured home park flow meters which we talked about. Number 3 is 73-1 sewage treatment plan hookup to the Supervisor Control and Data Acquisition System, SCADA, that we talked about. Number 4 is a portable flow meter. This is needed to track inflow again. Number 5 is an industrial sampler which we talked about. Carol Beach reconstruction in Carol Beach Unit 6, inflow software and we talked about that.

In addition, number 8 is to clean 500,000 linear feet of sanitary sewer including reduces in homes, backups and eliminates legal exposure. Number 9 reduce overall inflow and infiltration. Reduced I and I has a direct cost saving effect on billed wastewater. Number 10 is accurately locate Digger's Hotline Tickets for sewer and water. The State of Wisconsin mandates that the Village of Pleasant Prairie belong to Digger's Hotline and that we locate all of our utilities. It's getting to be a larger and larger load. There's more construction in the area. It's using up more and more time. You have to do it and you have to have experienced personnel do it. They have to know what they're marking and where it is. Eleven is safety training, 15 hours of safety training is scheduled in this budget. And, again, the remainder of these are the TID projects west of I-94.

With that, that's my portion of the sewer budget. Before I give it over to Kathy for the financial part of it are there any questions?

John Steinbrink:

Ron, on the Digger's Hotline, do we get any reimbursement or is that something that's a cost to our utility?

Ron Kammerzelt:

That's a direct cost. There is no reimbursement.

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John Steinbrink:

So gas companies, telephone, electric they all incur those costs for the location?

Ron Kammerzelt:

Yes. There is no money given back to us for doing it.

John Steinbrink:

So as more construction occurs and more locates are needed, that's a pretty good drain on your personnel.

Ron Kammerzelt:

It's an unfunded mandate, and we've heard that before.

John Steinbrink:

Hopefully it keeps people from digging us up. Any other questions for Ron?

Steve Kumorkiewicz:

Mike, comparing the Cooper Road issue with infiltration, when I'm looking at the numbers actually they were better off than Pleasant Homes. In Pleasant Homes we had 150,000 gallons a month of infiltration?

Mike Pollocoff:

You mean before we repaired it?

Steve Kumorkiewicz:

Before we repaired it, yes.

Mike Pollocoff:

Before we repaired it, it was about 1.4 million gallons per day, and it's day—

Steve Kumorkiewicz:

Oh, 1.5 million, that's what it was. I remember seeing snakes when they televised the pipes.

Ron Kammerzelt:

You've got to remember Pleasant Homes was totally relaid. This is just repairs mostly to laterals.

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There's a few mains that are cracked and bad. There are some manholes that need repairing, but it's not a total reconstruction.

Steve Kumorkiewicz:

That televised system that you've got is excellent. You can get inside the pipe and look at it. I remember we had problems is Prairie Ridge and all the problems we had with the . . . you guys were able to prove where the mistakes were made by the contractor. I'll never forget that presentation you guys made.

Ron Kammerzelt:

This new machine puts it into disk form. It used to be videotapes and now it's a disk. And it also has an inclinometer on it so it can actually calculate the slope of the pipe. So you can go into a new construction or a new development, and if the slope of the pipe is 3 percent and that's what it called for in the drawings, that machine will calculate that and make sure that's what it is. There's not too much they can get away with anymore.

John Steinbrink:

Alright, Kathy? Thank you, Ron.

Kathy Goessl:

My portion is both the sewer and the water utility together. Water was presented a couple month ago, and Ron just presented the sewer and what he requested. As part of this financial overview we're first going to go through the new programs, programs requests, capital equipment and projects and show what Mike has recommended in terms of what we want to fund and what we don't want to fund. Then we'll go into the water utility and sewer utility and do a brief overview of operating and non operating and cash balance on each of those. I'd like to first turn it over to Mike to go through the new programs, program reductions and capital equipment and projects.

Mike Pollocoff:

On new programs I'm not recommending the data entry clerk or the repaint. We are going to want to take a look at doing a power wash or some kind of spray cleanup on the LakeView tower. I think it's a little premature for the age of the tower. On program reductions based on the work we're going to be doing in the Cooper Road area I'm going to accept that reduction as well as electric savings in monitoring our times of consumption at the booster station for the \$12,327.

New equipment, the Westwood and Timber Ridge flow meters hooked to SCADA. That's something that's positive. I do want to take a look at, and that could be stand to be done, but I guess I want to phase that into next year. Take a look at being able to hook that into the fiber network that we looked at earlier with Time Warner. SCADA hookup to the 73-1 plant. We're going to abandon that plant within a couple years. I'm just reluctant to pour more capital into it.

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Flow meters Ron makes a good case for that. That's really going to help him with this I and I. You need to be able to isolate the mains and not just look at the main meter. You've got to be able to work your way backwards to see where the leaks are coming.

The industrial sampler needs to be replaced. I'm passing on the tank mixer. The Carol Beach lift station reconstruction needs to occur. That thing was probably a dog the day we bought it. We need to purchase the vehicles and the info software for a total of \$95,520.

On the construction crew equipment I'm not recommending the Case wheel loader at this time. When you get to the bottom line you'll see why. I'm putting that off to next year. I can tell you it's going to cost us more. That thing is getting older but we're going to be at a point where to make the budget work this year we're going to need to put that out. The pipe laser is needed. I'm recommending purchasing that.

Pleasant Homes water mains we have mains in there that need to be replaced. We're at the point where we're making repairs on them at an ever increasing rate. And then an extension of 93rd Street water main, 32nd to Springbrook Road that will close a loop for us in that part of the Village. I'm recommending we fund that item there.

Our TID 2 capital projects I'm recommending funding on all those. We want to start construction on Prairie View this year, and they're going to begin marketing that land. They actually have a couple of users identified for that park so we need to jump and get going on that one. Again, that's going to be covered by TIF revenues. Any questions on additions or reductions?

Steve Kumorkiewicz:

Yes, what about Pleasant Homes

Mike Pollocoff:

44th and 39th.

Steve Kumorkiewicz:

Mine is going to be replaced?

Ron Kammerzelt:

Yes, I know it's hard to believe but finally.

Jeff Lauer:

Just one question, Mike. I think it was a tank mixer or something?

Mike Pollocoff:

Why don't you describe that, Ron.

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Ron Kammerzelt:

It's a 500 gallon tank that we take calcium chloride which is in a granular bag, and we dump that into eliminate odor in some lines in the Sewer D plant. Another one is over at LakeView lift station. Because it's such a long force main the waste water goes bad or anaerobic, so it smells through the air vents as it comes out. The calcium chloride will take the sulphide smell away. Being that it's granular and we dump it in the tank, all it is is an electric mixer that stirs it up and dissolves it. That's all it is.

Jeff Lauer:

And you say it's done by hand now. Does that take a long time to do?

Ron Kammerzelt:

It's cumbersome, yes.

Mike Serpe:

Is it heavy where the person could become strained back--

Ron Kammerzelt:

It's just mounted on the thing.

Mike Serpe:

No, by hand now. If you're doing it by hand now is it cumbersome?

Ron Kammerzelt:

It's time consuming. It's not real physical but it's time consuming.

Mike Serpe:

To follow up on what Jeff was just asking, I do deal with the person that buys their vehicles, and I know just by looking at what we have budgeted there I think we can do probably pretty good with that. And if this tank mixer is going to help somebody and make his job easier, there might be somebody available for that if we can save a lot of money on a couple of used vehicles which I'm pretty sure we can do.

Mike Pollocoff:

If you want to take savings from that and direct it to the mixer.

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Mike Serpe:

If it's possible.

Jeff Lauer:

I wouldn't mind that. I think it might not only get it done quicker, but you might be able to free up hours from the employee to do something else rather than sitting there.

Ron Kammerzelt:

That's right, makes him more efficient.

Steve Kumorkiewicz:

You avoid a lot of claims in Worker's Comp if somebody hurts their back or whatever. It's an automatic operation . . . very effective.

Ron Kammerzelt:

Absolutely.

John Steinbrink:

Any other questions?

Kathy Goessl:

So we're looking now at the financial overview for the water utility first. I only have a couple slides here. We start out with operating expenditures and then go into non operating and then look at the cash balance for the utility.

This is the operating statement for the water utility. We start out with operating revenue. Our operating revenue is our charge to our water customers for purchasing water. The Public Service Commission determines our rates. Our last rate increase was on January 19, 2004. When we requested our rate we actually are one of the lowest in the State in terms of rate of return. Our rate of return on our water utility is 2.5 percent. Most utilities are 7 or 8 percent in rate of return. So we're looking here at just basically growth here from 2005 to 2006 in terms of customers for the 8 percent increase. There's no rate increase incorporated into this.

For operating expenditures our biggest operating expense is purchased water. We purchase water from the City of Kenosha. The City of Kenosha actually increased their rates for water in 2005 by 23 percent from 95 cents per cubic foot to \$1.17 per cubic foot. But we're still looking at a slight--we increased the rates in 2005 unsure of what Kenosha was going to increase our rates for. So now we're back to the decrease here due to us being overestimating. We wanted to be conservative in terms of what we thought the rates were going to be in terms of our treated purchased water, so now we're bringing it back down to what they increased our rates to.

Depreciation similar to the RecPlex. This is depreciation of equipment, mainly water mains, water towers, our distribution reservoirs. These mains and reservoirs have long lives so we spread the depreciation over the life of those mains or reservoirs or towers. Wages and benefits the employees for the utilities are back and forth between the sewer utility and the water utility. There's not certain employees just water or just sewer, so based on what Ron anticipates the workload to be in each area for the coming year that's how that's budgeted for and allocated. There's some fixed expenses there in terms of administrative type salaries that are charged here, but most of them are based on hours of operational employees. We're looking at a slight increase there.

Then operational and maintenance a 4 percent increase we're proposing in this area. Again, electric is the one that's increasing. We're looking at a \$14,000 increase in electric. Our electric for 2005 was budgeted at about \$83,000 and we're looking at \$97,000 in electric. Our reservoirs and booster stations take a lot of electric power to run. One of the reductions, though, is to save on that electric power by analyzing our electric uses at different times of the year, so Mike recommended that and that's the program reduction for \$6,000 below.

So for net operating gain for this utility we're up from previous years mainly due to our rate increase that we did in 2005. But as we look forward we're finally gaining some cash in this utility. In the past we've gone back and forth on increased rates, decreased rates, increased rates and we never gathered any cash. We had to borrow all the time. So we're finally getting to the point where we're gathering a little reserve where those projects that were mentioned for water won't have to be borrowed for. They can use the operating revenues instead.

This is our non operating area of our water utility. We start out at the top with our operating gain

from our previous slide, and I add in interest income. We invest in our local bank and government pool on the money that we have and this is the interest that we earn on those investments of our reserve money. Debt is another non operating. That's an interest expense we pay on our debt. Our water utility is paying down debt, therefore the interest expense on that debt is reducing. We haven't borrowed on the utility for a number of years. That's why we're looking at a reduced deduction in interest as well. Amortization expense is amortizing the debt issuance expense of our debt that we issued earlier.

This utility has transfers. These are actual transfers out. As I mentioned before in tower leases the leases on our water towers and our booster stations that cell towers pay to the utility. We transfer that money to our RecPlex to use for the therapeutic rec program. Tax equivalent, the water utility actually pays the general government what they consider equivalent tax. It's computed and the money is transferred to the general government as a revenue source and, therefore, it's an expense or a transfer out for this utility.

So we're looking at last year we budgeted a loss of almost \$200,000 for this utility. Again, we're looking mainly at cash flow on the utility and we'll go into cash flow or what cash we have in the next slide. We're budgeting actually for almost a net, just slight gain in the utility for this year.

This is our cash balances that we currently have in the utility. We ended 2004 with just short of half a million dollars in cash. We're projecting to end this year at about a little over a million. And then next year we're gaining another about a half million in cash based on some non cash items that will cause this balance to increase. So we're steadily increasing. But this gives us a good reserve to be able to do our capital projects without borrowing, and in the future when we get a little bit bigger reserve we can look at maybe reducing rates. In the past it's been kind of a roller coaster and that's hard on the customers than just leaving it and then bringing it down and staying down.

We're a pretty new utility in terms of the number of customers. We're pretty small compared to the City of Kenosha in terms of number of water utility customers. We have more sewer utility customers than we do water utility customers.

Now I'm going to switch to our sewer utility. This is a picture of one of our sewer utility customers. So I'm going to do the same financial statements, operating revenues and non operating revenues and the cash for this utility. Again, this is the same statement as we had before for the water utility. Operating revenue for this utility is the charges to our customers for water treatment. We're looking at an increase here, not due to rate increases, but just customer growth in this area of about \$300,000.

Our operating expenses, again, our biggest expense here in this category is treatment. Again, we purchase treatment from the City of Kenosha or Kenosha Water Utility. Due to customer growth and also in 2005 we were thinking we could get our treatment down. Our flows were down, but then once our flows were down our BOD's and suspended solids, all of our high strengths was up and the cost on those went up so we weren't able to realize the savings that we thought we could. So we're actually for 2006 budgeting up to more of a conservative number. Before we were a little bit low in terms of our budgeting hoping that we could get down there. But this time that's mainly due to budgeting up to what we have trended a little bit more. There's no rate increase

from the City of Kenosha budgeted in this number at this point.

Depreciation is the same as the other enterprise funds. It's the use of the equipment that's in the ground, mainly sewer, collection mains, lift stations and spreading that cost over the life of the mains and the stations. Wages and benefits are going up some. Basically you saw there was a very slight increase in water in terms of personnel. It looks like there's been a slight shift a little bit as we project for 2006 at a little bit more hours we spent in sewer. Therefore, you see a little bit more increase here. And, of course, the benefits and our annual increases are incorporated into this.

Operational and maintenance we actually as you look at the next slides of cash flow this utility doesn't have much cash at all, so we actually went through and looked at the line items and reduced where we could see where there was a little bit of leeway in it. Therefore, we actually reduced \$20,000 and some out of the budget on certain line items based on historical trends in those areas. So that's a savings there in terms of operational and maintenance.

The program reduction is the I and I that Ron was talking about earlier, reducing that I and I. The City of Kenosha charges us for every 1,000 gallons of water they treat. They don't care if it's rain water or sewage or what. So whatever we can reduce in terms of rain water getting into our system saves us money in terms of treatment expense in the City of Kenosha. So we're actually looking at an operating loss there of a little over half a million dollars. But if we do a cash flow adjustment it won't be as bad.

So I brought the net operating loss actually forward of half a million dollars. It's very similar to last year, around half a million dollars. We added in interest income which is a non operating revenue source. The majority of our cash here is just last year we borrowed one and a half million for capital project purposes, and that money is earning interest and that's basically the interest income that we're seeing here.

Debt we have interest expense. We have a debt service here and so the interest on that, and we borrowed some additional money so that's why that is increasing. Amortization actually is going down because on our last borrowing we actually sold our bonds at a premium so that nets out the debt issue expense amortization to give us actually a reduction when we amortize it out. So we're looking at a net loss of basically the same as last year of \$885,000.

So I brought the net loss forward and let's look at the changes in cash that we have. Similar to the RecPlex and IcePlex you have some non cash operating expenses, depreciation being the biggest. We have a large dollar amount of infrastructure in the ground which accounts for \$1.2 million of depreciation. We can add that back in because that's not a cash outflow at this point in time. Some cash payments and cash received that's not included in your operating and non operating, that includes first of all our cash payments or our principal payments on our debt. Right now we're looking at million dollars or debt payments for 2006. That's based on the bond schedules that were set out when we borrowed the money.

Cash received we're currently using for operations our connection fees. That's the fee that's paid whenever a residence or a business connects to our sewer system. The fee is currently \$1,600 per residential hookup, and then the remaining business or commercial is based on the actual size of

their meter, and we calculate a meter equivalent and times that by the \$1,600 to get what the commercial or industrial customers owe us. Special assessments, when a project is put in and special assessed we received--this is actually the principal payoff of the special assessments, and this is always varied based on if our customer wants to pay all in full or if they want to pay over ten years. So we do our best projections in terms of what we expect our customers or our people that have special assessments outstanding to do. So we're actually looking at a decrease here based on our projections of the different projects that are outstanding.

So we're looking at actually a change in cash balance with everything incorporated of about \$76,000 loss in cash in this utility. We had budgeted a slight gain last year of \$12,000. This is our cash situation at this point in time. Our total cash balance estimated at the end of the year is going to be a little over \$2 million, but the majority of that cash balance is in either our DNR replacement funds, which are restricted to their uses. We have a Sewer D and a Lake Michigan District replacement fund. Lake Michigan is mainly for replacement and repair of lift stations in the Lake Michigan District, and the D replacement fund is basically for the sewer treatment plant. So each year we're required to put money into this fund according to DNR regulations.

Bond proceeds must be spent on capital projects, and the projects that were identified we'll use this money. There's also some carry over projects that were approved last year that didn't finish up that will also use this bond proceed money. So I'm estimating that about half a million dollars of bond proceeds money will be used for 2006.

So available money we're almost close to zero in terms of this fund at this point in time, around \$15,000 in cash available at the end of the year if everything goes as planned. But a total ending balance of \$1.5 million.

Kenosha Water Utility sanitary sewage rate increase is unknown if and when a rate increase will occur. We inquired about it during their hearings when they postponed it, and they would not give us an indication of when they anticipate bringing this back up again. We currently have their rate increase study with our consultants. I haven't heard from our consultants recently on if they have found anything in terms of working with the Kenosha Water Utility to help adjust our rates. But if and when this rate increase occurs we're going to have to pass it on right away. As you can see, our cash balance available is down to nothing. We'll have to pass that rate increase onto our customers immediately.

Kenosha is projecting a rate increase of almost 12 percent, but actually that's a low projection because they actually used our 2005 volumes which our volumes in 2005 are down due to the drought conditions that we had this summer. The biggest increase in their fees is their volume charge. It went from 55 cents, well the projected ones they had in the last study, 55 cents to 71 and almost 72 cents which is a 30 percent increase. So when I look at our history, I'm actually projecting more of a 13 percent increase just in the volume side of things.

But then we add on top this new increased charge for metering and monitoring our different metering locations. We have metering locations and currently they only charge us \$28 per station per month for a total of \$1,680 annually. But in their last study they're showing they're going to increase that fee up to \$78,000 for the year. So overall the projection based on the current study that they have shown us will be close to a 19 percent overall increase in our sanitary sewer rates.

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So the consultants will be working on that to see if they can save us any money in terms of the rate increase and getting our study done to see how the rate increase should be passed onto our customers once it occurs. When this occurs it will be brought to the Board for approval in terms of the new rates. So that's the end of my portion of the presentation, and if there's any questions or discussion.

Jeff Lauer:

Kathy, real quick what was that wholesale monitoring and metering again?

Kathy Goessl:

We have five metering pits that the majority of our sewage runs through, and those pits are metered. There's a meter on them to tell how much flow goes through them. And then also, and I don't know how often, but somebody from the Kenosha Water Utility goes to the stations and posts samples so they can see how strong our strength of our water that flows through those pits are. So in the past they only charges us basically, quote, an administrative fee. Now they said, well, you need to pay the two costs of us going to those metering pits and monitoring them and metering them.

Jeff Lauer:

\$78,000? I think we can send our own guys there.

Mike Pollocoff:

We could and we could do it for a lot less but it's their meters to read. We took a look at the cost and it's more than double what it costs. They're using two guys and you only need one guy. They've got a really expensive truck. There is no economy of scale in the way they price that. That will be one of the things that we're going to probably end up challenging.

John Steinbrink:

You have to understand whenever the City of Kenosha does something they pass the engineering costs relaying everything onto its customers, wether it's Bristol, Somers or Pleasant Prairie. We get the bulk of it. That's where they keep their rates down by charging our customers and us those premiums.

Steve Kumorkiewicz:

One of the biggest costs in reading those meters, because I used to read those meters at work. You've got to set up the unit to lower the guy in the pit That's the process we use here.

Mike Pollocoff:

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They don't have to go into the pit any longer.

Steve Kumorkiewicz:

They don't have to go into the pit?

Ron Kammerzelt:

No. Actually the information is sent right back to their plant, but they pull samples from those locations on a daily basis which they use two men to do that. They do that every day.

Steve Kumorkiewicz:

Two men a day to go to do that.

Ron Kammerzelt:

And then if the meter needs calibration they're not allowed to do it. They have use their electrician to calibrate the meter.

Steve Kumorkiewicz:

I used to go . . . sewer going to the City. So I used to go down to the pit to check the meter and take the samples out. Fifteen minutes and all done.

Ron Kammerzelt:

Yes.

John Steinbrink:

Any other questions?

Jeff Lauer:

This is going to be a problem again. It's been a problem over the years since I've lived in Pleasant Prairie where Kenosha, to put it politely, just sticks it to us, because you're talking 19 percent according to your data. The residents here, including me, I pay an average of over \$110 a month in water and sewer.

Kathy Goessl:

This is just the sewer portion of it.

Jeff Lauer:

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The citizens I know aren't going to be happy. I know we've looked seriously at other ways of doing this. I don't know with the Public Service Commission, Mike, how much experience you have with them.

Mike Pollocoff:

What will happen is we'll get the analysis done by Virchow Krause and they'll come up with a lower number. In our contract with the City it provides for us to go to the PSC and have the PSC determine if the rates are fair and equitable. We kind of roll the dice and see what you get. Everybody likes consolidation in doing things and you hand over a lot of your control to somebody else to figure out what your expenses are going to be. That's the down side. We have a few appeal processes, but.

Jeff Lauer:

Well, the sewer is going to hit the fan I think.

Kathy Goessl:

One good thing is we were able to stop them from doing th rate increase January 1st. They were going to do it and we caught them on their own ordinance, and so actually it's kind of a savings until they implement the rate increase for us.

John Steinbrink:

Any other questions or comments? Thank you for the presentation.

4. ADJOURNMENT.

**SERPE MOVED TO ADJOURN THE MEETING; SECONDED BY TIAHNYBOK;
MOTION CARRIED 5-0 AND MEETING ADJOURNED AT 10:45 P.M.**