



**SPECIAL COUNCIL MEETING MINUTES OF THE CITY COUNCIL OF
NEOGA HELD IN
CITY COUNCIL CHAMBERS, MUNICIPAL BUILDING, 533 CHESTNUT
OCTOBER 12, 2009, AT 6:00 P.M.**

CALL TO ORDER

The meeting was called to order at 6:00 p.m. by Mayor Modglin, and the Pledge of Allegiance was recited. Those present were: Commissioners Lindley, Kepp, Groves, Varner, Mayor Modglin, and City Clerk Evans. Others present were Superintendent Hagerstrom, Bill Teichmiller with E.J. Water Co-op, Lee Beckman with Milano and Grunloh Engineers, Jeff Stepp, Alan Baker, Jim Smyser, Marilyn Smyser, Charlie McKinney, Vernon Greeson, Bill Ramert, Tom Helm, Anne Ballinger, Dirk Warren, Doris Warren, and David Bailey.

PUBLIC AFFAIRS

Mayor Modglin started the meeting by explaining to those that were present that the reason the City of Neoga has invited E.J. Water Co-op to the meeting was to research the possibilities of purchasing water from them. Currently, the City of Neoga has very old cast iron water mains, along with an aging water plant and tower. With those upgrade in mind, the Council realized that the city's financial situation could not support this type of work at the current time. Modglin also explained that the Village of Sigel approached Neoga about purchasing bulk water, and after further investigating they found that E.J. could supply water to them at a lower rate than Neoga. At this time, Mayor Modglin introduced Bill Teichmiller with E.J. Water Co-op to speak.

Mr. Teichmiller explained to those present how E.J. Water was started and what their current operation was like. Mr. Teichmiller said that E.J. is very interested in supplying water to the City of Neoga, but he does have some concerns. One concern is about the clear well not being used. Teichmiller said that he would recommend to the Council to continue to use the clear well mainly for fire purposes. Teichmiller also discussed the following questions and answers:

City of Neoga – Due Diligence Questions

10/12/09

1. Would like to see a proposal for both wholesale water and complete takeover of our water system.
2. Like to see their current rates; residential and commercial compared with ours.
 - Residential and commercial rates are the same: \$23.35 minimum for first 750 gallons and \$5.05 per 1,000 gallons. The minimum is used to pay our debt service.
3. Would EJ do hydrant flushing?
 - If the City continued to own the system, we could on a time basis. We charge \$37.50/hr which includes service truck and fuel. If EJ owned system, it would be our responsibility.
4. Would fire department be charged for water usage?
 - If EJ owned the system, we do not charge for water used by the fire department. If the department routinely fills their tanker at the station, we usually just meter the water used and do not charge for it.
5. What is the value of our system?
 - We don't look at cost or depreciated value to determine value; it is strictly a financial analysis less upgrade costs. We would have our Engineering firm prepare this report and have your Engineering firm review for concurrence.
6. Could an upgrade schedule be agreed upon?
 - Yes. We would work with the City on whatever schedule make the most economical sense for both parties.
7. Could we see a standard contract with length and any special clauses included?
 - This has already been forwarded.
8. Would EJ be responsible for all street repairs when fixing mains?
 - Could be, but it would be paid by the customers.
9. Would any testing be required at city level?
 - If the City continued to own the system, you would have distribution only testing such as monthly bacti samples. If EJ owned the system, it would be our responsibility.

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10. If a water main breaks who is responsible?

- If the City continued to own the system, you would be responsible, although that could be contracted to us on a time & material basis. If EJ owned the system, it would be our responsibility. If the City fixed the leak and we owned the system, EJ would reimburse the city for out of pocket costs.

11. If Neoga is responsible, does EJ reimburse for our time (due to us decreasing man power), which would result in overtime if a main breaks?

12. If EJ is responsible what is the response time to resolve issues? Please provide documented incidents from other communities.

- We repair all major leaks immediately and minor leaks at a scheduled time. We have staff on call and monitor all water towers and pump stations. Telemetry is alarmed and will notify operator if any problems arise.

13. What is the average cost per citizen?

- If the City owned the System, you would have control of your rates. If EJ acquired the system, we would negotiate a long-term rate structure that would keep rate increases to a pre-determined percentage. This is normally structured around the minimum monthly rate. The water rate (based upon usage) would be governed by the Board of Directors of the Coop.

14. What other fees are associated beside bulk water sales?

- Capital improvements such as (1) upgrade to our water main to connect to City's 8" line at Walk's; (2) purchase of booster/metering station at point of interconnect; and (3) telemetry upgrade so City's water tower will communicate to booster station/EJ Water's system.

15. Is EJ willing to take over for capital depreciation of water plant?

- If EJ owns the system, we are responsible for all water works assets including the water tower. The Water tower will only have "Neoga" on the tower; similar to Shumway.

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16. What information will be provided to the Neoga Council and Citizens on a regular basis?

- If City owned system, we would routinely visit with personnel and council to work on any problems that may exist. If no problems exist, we typically visit with City council every year to every other year depending on any problems. If EJ owned the system, the Citizens become members of the Coop (they now own a portion of the Coop) and are represented by a Board Member. We issue an Annual Report, hold an Annual Meeting of Members, and issue the annual Consumer Confidence Report (CCR).

17. What is the maximum capacity (gallons) that can be provided daily to Neoga?

- Our system can be upgraded to fulfill the City's requirements. If the Coop carries the upgrade cost, the Coop would adjust the base rate and establish a minimum to guarantee repayment. If the City pays a tap fee, the Coop would charge a rate of \$2.80 per thousand. If a "reserve capacity" is required, an additional facility charge would be negotiated to "reserve" the capacity in the new water plant.

Mr. Teichmiller said that Neoga does a very good job in not losing water. From what he could see Neoga only loses about 10% from water billing. One concern from the public was that they did not get enough notice about the meeting. City Clerk Evans said that the meeting was not scheduled until Friday afternoon, and notice was sent to all the media, including the newspapers and radio stations. It was also posted on the building doors. It was recommended that the city post fliers in area businesses to notify the public. City Clerk Evans asked that the public understand that the council may have meetings every week regarding this project. asked that if anyone has questions to please notify her and she would try to get answers for them.

After a lengthy discussion, the Mayor opened the floor to have those present ask any questions that they might have. Mayor Modglin did explain to those present that the Council does not want to incur additional debt to run a new water line. However, Modglin said that it is the responsibility of the Council to research all options in all departments. After a number of questions were asked and answered, Commissioner Kepp made a motion to adjourn the meeting at 8:27 p.m. The motion was seconded by Commissioner Groves. Ayes, Commissioner Kepp, Varner, Groves, Lindley, and Mayor Modglin. Nays, none. Motion carried. 5-0.

Howard W. Modglin, Mayor

Brenda Evans, City Clerk