

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, FEBRUARY 8, 2010 – 5:00 P.M.**

AGENDA

1. Call to Order/Roll Call
2. Approval of Agenda
3. Consent Agenda
 - a. Approval of Minutes
 - b. Approval of Bills/Purchase Orders
 - c. Approval of Investments
 - d. Delinquent Accounts Report
4. Reports
 - a. Electric Rate Study
 - b. 2009 Energy Star, CIP Reports
 - c. Annual MPCA Pretreatment Report
 - d. Account Status
 - e. Mechanical Liens
 - f. Insurance Claim Adjustment
 - g. Utilities Fund Financial Quarterly Report
5. Action Items
 - a. Pay Request #15 – Magney Construction – 2008 Grit Removal Improvement Project
 - b. Fund Balance/Reserve Policy
 - c. Middle Sauk River Water Festival Donation
 - d. Water Main Repair
6. Old Business
 - a. Water Treatment Plant
 - b. Method of Calculating Electric Utility Franchise Fee
 - c. Union Contract Update
 - d. Water/Wastewater Maintenance Worker Position
 - e. RW Beck Case Study on Advance Metering Infrastructure (AMI) System
7. New Business
 - a. 2010 Pay Equity Report
 - b. Employer/Employee Workshop
 - c. Electronic Agendas
 - d. Signature Only Overlay

8. Informational Items
 - a. Electric and Water Wastewater Comparative Statements
 - b. Cap and Trade Symposium
 - c. Schools and Conferences

9. Adjournment

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MONDAY, FEBRUARY 8, 2010 – 5:00 P.M.**

A.I. #1 CALL TO ORDER/ROLL CALL

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, February 8, 2010 at 5:00 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Lyle Olmscheid, Tom Budde, and Ralph Wiehoff, Public Works Director John Harren, Water/Wastewater Supervisor Scott Gilbertson, Electrical Supervisor Dale Lyon, and Assistant City Administrator/Treasurer Karen Thostenson. Chair Wiehoff presided thereat.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to approve the agenda as amended.

A.I. #3 CONSENT AGENDA

The following were considered for approval under the Consent Agenda:

- a. The minutes from the Commission's January 11 Regular Meeting.
- b. List of bills in the amount of \$1,789,413.02. (See attached list)
- c. Investments report for the month of January. (See attached report)
- d. Delinquent accounts report for the month of January.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve the Consent Agenda as submitted.

A.I. #4 REPORTS

- a. Public Works Director Harren reported that Tim Miller of MRES has submitted updated graphs for the Electric Rate Study Report completed in 2009. The graphs include ten utilities with a mix of municipals, co-ops, and IOUs, and reflecting their 2010 electric rates. Based on that information, Melrose ranks third lowest for residential rates, second lowest for small commercial rates, fourth lowest for industrial rates, and slightly above average for large commercial rates. Mr. Miller had indicated that the large commercial rates are still in line based on industry standards and suggested educating customers on how to lower their demand by considering load management or time of use metering.
- b. Director Harren reported that MRES has sent out the 2009 yearend CIP reports. The Melrose report showed its customers' energy and demand conservation improvements in 2009 equaled 1,838,436 kWh and 449.4 KW annually in savings. The report in its entirety is on file at the Administration Offices.

- c. Water/Wastewater Supervisor Gilbertson completed the MPCA Annual Pretreatment Agreement Report. He provided the following summary of the report: Jennie-O Turkey Store exceeded their limits a total of five times and Melrose Dairy Proteins exceeded a total of 51 times. Proliant exceeded limits based on their engineer's estimates at the time of construction. They had exceeded the BOD and phosphorus limits regularly. However, in August 2009, Proliant requested modifications to their Significant Industrial Users Agreement (SIU), which was approved by the Commission. Since that time, Proliant has exceeded the limits only seven times. The report in its entirety is on file at the City Administration Office.
- d. Director Harren reported that at the January Commission meeting, an inquiry was made regarding the Tina Horn delinquent account. He stated that staff had informed him that Ms. Horn has a doctor's slip requiring the utilities to maintain power. Then, in the spring, Ms. Horn works with the Department of Human Services for payment of her utilities.
- e. Also discussed at the January Commission meeting was the matter of mechanical liens. The Assistant City Administrator/Treasurer noted she had contacted the City's Auditor in 2009, and was informed at that time they he had never researched mechanical liens and had suggested at that time that the City contact its City Attorney for guidance. The Commission, at its February 2009 meeting, had directed that collections continue to be addressed as they were currently handled, and that no contact was necessary with the City Attorney. Director Harren stated that the account the Commission was concerned about is currently under \$2,000, with regular payments being made.
- f. Director Harren reported that the City's insurance adjuster, Allied Adjuster, has settled with Bob & Cheryl Breth regarding damage to their wastewater service line in the amount of \$700. Electrical Supervisor Lyon stated that approximately 16 years ago, when the City was installing street lighting in the area, Mr. & Mrs. Breth had claimed that the City had nicked their wastewater line. It was agreed that now would be a good time to settle this ongoing issue.
- g. Treasurer Thostenson presented the unaudited 2009 fourth quarter/yearend utilities report of revenues and expenses for the Water, Wastewater, and Electric Departments. She noted that, including principal payments on bonds and capital outlay, the Water Fund had a deficit of revenues to expenditures of \$328,742, the Wastewater Fund a deficit of \$381,181, and the Electric Fund a surplus of \$192,479. She pointed out that the Water deficit was due to payoff of the Wells #8 & #9 PFA loan in the amount of \$333,000. The Wastewater Fund deficit does not include the \$707,000 paid for the 2008 Grit Removal Improvements. It was noted that the audit will be completed within the next several weeks, and will be presented to the Council and Commission sometime in April or May. However, the changes in cash reserves must be monitored to assure there are adequate funds available to address capital costs when needed, as well as to keep utilities rates stable but also at a level to provide the required revenue.

A.I. #5 ACTION ITEMS

- a. Consideration was next given to Pay Request #15 from Magney Construction, Inc. on the 2008 Grit Removal Improvements Project. The pay request was in the amount of \$42,564.02, plus Magney is requesting a reduction in the retainage, from 5% to 1%. The City's Engineer, David Muenzner of Brown & Caldwell, recommended that with many of the punch list items completed and the systems operation, the retainage can be reduced as requested. Director Harren stated that the engineers and staff continue to make changes to the grit system to meet removal expectations.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve the pay request in the amount of \$42,564.02 to Magney and to authorize reducing the retainage from 5% to 1%.

- b. Assistant City Administrator/Treasurer Thostenson reported that the State and City Auditors recommend that local governments establish a formal policy regarding the level of fund balance that should be maintained in the General and Utilities Funds. A proposed policy was prepared by staff and submitted for Utilities Commission consideration. Mr. Olmscheid requested that the City's Auditor provide more information when the audit is presented on the part of the policy relating to enterprise funds. Ms. Thostenson noted that the City Council will be giving consideration to this policy at its February 18 meeting.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to adopt the City of Melrose Fund Balance/Reserve Policy.

- c. Director Harren requested Commission consideration to approval of a donation for the Seventh Annual Middle Sauk River Water Festival, which is tentatively scheduled for Thursday, May 12, 2010 at the Sauk River Park in Melrose. This Festival includes nearly 500 students from Sauk Centre, Melrose, Freeport, Meire Grove, Albany, Avon, and Greenwald. The contribution would assist in meeting Melrose's Wellhead Protection Program requirements. Director Harren stated that, in 2009, the Commission committed \$1,000 for the Water Festival, and the 2010 budget again includes this amount.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve a donation of \$1,000 towards the Seventh Annual Middle Sauk River Water Festival.

- d. Director Harren reported that, in January 2010, the Commission had discussed the corrosion that has taken place on one of the water mains coming into the City from the well fields, as well as the increased pressure and drop in gallons per minute (gpm) when three wells are required to run. Bonestroo had completed a water distribution study in 2003, therefore, has the majority of water main system information on file. They have indicated that the cost to update the model and study the system would be less than 40 hours of staff time. Director Harren stated that an actual proposal has not yet been received, however.

The Commission felt that an updated modeling of the system would be appropriate. They recommended that a proposal be obtained from Bonestroo as to the costs and services to update the model, and submit this information at the Commission's March meeting.

A.I. #6 OLD BUSINESS

- a. Director Harren reported that in January 2010, staff had informed the Commission that SEH was researching federal stimulus grant funding to assist in the construction of a water treatment plant. He stated this process starts by submitting an application for the Project Priority List and Intended Use Plan. If Melrose were to use SEH as its project engineer when/if the project proceeds, there would be no charge for SEH preparing and submitting the application, which generally costs between \$500 and \$1,000. These programs are low interest loan programs. However, the federal government is considering a second stimulus bill. But, due to Melrose's large industrial usage, at best, Melrose would be eligible for the base grant of 10%. Director Harren requested Commission consideration to whether to proceed with the application for grant funds in case such funds become available, or to continue to pay down/off the water tower debt before proceeding with a water treatment plant. The Commission felt that unless the water treatment plant qualified for full grant funding, the best option is to continue to address the current debt before incurring new debt for a water treatment plant.

Water/Wastewater Supervisor Gilbertson also questioned whether this might be the right time to give consideration to replacement of the well houses (Wells #4 & #5) and combine the wells. He stated there are major issues with the well houses, and this project has been included in the City's Five Year Capital Improvement Plan. Some concern was expressed as to whether the well houses could be repaired versus replaced at this time if a water treatment plant is in future plans. Supervisor Gilbertson felt this project had been put off long enough.

It was decided to obtain a proposal from Bonestroo and SEH for a preliminary study to be prepared on this issue, as well as the pressure and gpm issue being experienced.

- b. Director Harren reported that the Council, at its January 21 meeting, had tabled discussion and action regarding the Commission's request to change the method of calculating the franchise fee. He stated that the Council had tabled action on this issue, noting that additional information is necessary. However, Director Harren stated he has not been contacted since that time as to what information is needed. The Utilities Commission recommended that staff contact the Mayor as to what information needs to be provided prior to moving forward on this matter.

- c. Director Harren reported that, on February 4, 2010, AFSCME union representatives, the Ad Hoc Labor & Personnel Committee, City Attorney Chris Hood of Flaherty & Hood, and staff had met to negotiate a new labor contract. The current AFSCME contract expired on December 31, 2009. During negotiations, both parties agreed to have Mr. Hood prepare a “tracked” copy of what items were agreed to by both parties. This draft document was prepared, reviewed by staff, and submitted to the AFSCME representative and members for their input and comment. To date, no response has been received.
- d. Director Harren stated that the Ad Hoc Labor & Personnel Committee had also discussed the filling of the vacant Maintenance Worker position for the Water/Wastewater Department. This vacancy was created when former Maintenance Worker Jeremy Schrantz was promoted to fill the vacant Water/Wastewater Operator position created when Glenn Bauer took employment elsewhere. Director Harren reported that due to budget concerns, the present economy, lack of development and utilities rates increases over and above the CPI, the Committee has made a recommendation that this position remain vacant at this time.

Supervisor Gilbertson stated he was not in agreement with the Committee’s recommendation. He stated that the workload requires that this position be filled. He felt that he should have had input into this decision as it is difficult for outside individuals to know what is necessary in the operations of the Wastewater Treatment Facility.

Mr. Budde questioned why the Ad Hoc Labor & Personnel Committee was involved in this decision, since in the past the Utilities Commission had done the hiring, etc. for the Utilities departments. He also question whether Supervisor Gilbertson was involved in this decision. Mr. Budde stated that in the past he has recommended a staffing study be done for all the City departments, but received no support for this study. He also questioned what plans are in place for the large number of employees that will be eligible for retirement within the next 2-5 years.

After further discussion, the Commission was in agreement that a staffing study could be beneficial and directed staff to include this item on the Council’s next agenda to determine whether they are interested in participating. The Council to be informed that the Commission is proceeding with a staffing study, and that the Council could choose to participate in the study. After the Council’s decision, staff was directed to obtain proposals to do a complete staffing study. If the Council wishes to participate, the General Fund departments would be included; if not, the Utilities will proceed on its own with a complete staffing study. Until the study is completed, the Water/Wastewater Maintenance Worker position will remain open.

- e. Director Harren reported that, at the January 11 Commission meeting, approval was given for RW Beck/MRES to conduct a business case study to determine the benefit and return on investment for an AMI (automated metering) system. Staff recently participated in a webinar regarding the business case by RW Beck and the application. After the webinar, staff further discussed the value of participation with MRES. Director Harren stated that the business case is geared for meter reading and load control. Melrose does not have load control so the study had minimal benefit. Staff is recommending that Melrose forgo the study.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to not participate in the RW Beck/MRES business case.

A.I. #7 NEW BUSINESS

- a. Ms. Thostenson reported that the City's 2010 Pay Equity Report has been completed and was submitted to the State of Minnesota on January 27. She stated that, although job descriptions were revised and reformatted, no levels of responsibility were changed in any of the positions. It is anticipated that the City will remain in compliance with pay equity.
- b. Director Harren reported that MMUA Safety Coordinator Vernell Roberts has offered to put on an employer/employee workshop on the roles and responsibilities of each. The workshop would be held in Melrose and would last about three hours. This would be a part of the employees' safety training program. Director Harren inquired whether the Commission would be interested in attending such a training. This matter will also be placed on the Council's February meeting agenda. The Commission expressed interest in the training and in attending.
- c. Director Harren reported that the Utilities Commission agendas were sent out electronically and questioned whether there were any problems encountered. The agendas were also provided in hard copy. Mr. Budde stated he liked the new format and would not need a hard copy provided. Mr. Olmscheid stated he was working with Director Harren to resolve some computer issues before he is able to receive the agendas electronically. Mr. Wiehoff requested that he continue to receive a hard copy of the agenda and attachments.
- d. Ms. Thostenson reported that the City's check signer and dater are no longer working. And because the equipment is over 30 years old, it cannot be repaired. Staff had researched replacing the equipment, which would be very costly, as well as implementing a signature overlay. This is an electronic signature scanned in and printed on the accounts payable checks. A quote was received from ACS, the City's computer program provider, in the amount of \$800, which will be shared between the General Fund and Utilities Fund. It will cost about \$350 when signatures are changed.

A.I. #8 INFORMATIONAL ITEMS

The following informational items were then reviewed:

- a. copy of the Comparative Revenue and Energy Statement for the Electric Department for the month of December, along with the Production and Distribution Statement for the Water Department for December.
- b. Summary of the Cap and Trade Symposium attended by Commission Member Olmscheid and Director Harren on January 21 in Alexandria.
- c. The following is a list of schools and/or conferences where registrations were made:
 1. 26th Annual Innovative Approach to Wastewater Operation Problems – February 23 at the St. Cloud Holiday Inn. Registration fee: \$60 per person. Attending: Water/Wastewater Operators Dave Decker and Tim Vogel.
- d. The Melrose Electrical System Reliability Report for 2009, which showed four outages in that year.

A.I. #9 ADJOURNMENT

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried that the meeting be adjourned at 6:20 p.m.

PATRICIA HAASE – CITY CLERK