

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, MAY 10, 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. Utilities Fund First Quarter Financial Report
5. Action Items
 - a. Wastewater Treatment Facility Building Maintenance
 - b. Trench Drain Installation in the 300 Building
 - c. Western Area Power Administration Integrated Resource Plan
6. Old Business
 - a. Organizational Assessment Update
 - b. Meeting with Industry
 - c. Request For Proposals for Feasibility Study and Construction Plan and Specifications/Trunk Main Extensions
 - d. Electric Department Warehouse and Power Plant Improvements
 - e. LuVerne Ritter Septic System Upgrading
7. New Business
 - a. 2011 Five Year Capital Improvement Plan, Budgets and Proposed 2011 Rates
8. Informational Items
 - a. Electric and Water Wastewater Comparative Statements
 - b. 2010 Middle Sauk River Water Festival
 - c. Cable and Transformer Quotes
 - d. Insurance Claim
9. Adjournment

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REGULAR MEETING
MONDAY, MAY 10, 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, May 10, 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 submitted.

A.I. #3 APPROVAL OF CONSENT AGENDA

The following were considered for approval under the consent agenda:

- a. The minutes from the Commission's April 12 Regular Meeting, April 15 Special Joint Meeting with the Council, and April 27 Special Meeting.
- b. List of bills in the amount of \$897,832.22. (See attached list)
- c. Investment Report for the month of April. (See attached report)
- d. Delinquent accounts report for the month of April.

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

A.I. #4 REPORTS

- a. Assistant City Administrator Thostenson presented the Utilities Fund Financial First Quarter Report of revenues and expenses for the Water, Wastewater, and Electric Funds. She noted that Water and Wastewater revenues for services were less than budgeted, but the corresponding expenses were also less than expected. The Electric revenues were higher than anticipated, while the expenses were less than budgeted. Overall revenues for all the funds were \$2,633,807 (26%) and expenditures were at \$2,028,367 (21%).

A.I. #5 ACTION ITEMS

- a. Director Harren reported that, at the Commission's April 12 meeting, staff was authorized to obtain quotes to perform the maintenance work at the Wastewater Treatment Facility. Supervisor Gilbertson obtained two quotes for the repairs to the buildings with exterior stucco finishes. RW Stucco's bid of \$23,553 was for removing and replacing loose areas under windows, re-caulking and painting. The quote from Flood Stucco, Inc. in the amount of \$29,990 provides for removing the lower 10 feet of the stucco around the building, re-caulking and painting. Director Harren reported that, although the quote from Flood Stucco is \$6,437 higher, staff feels that the long term benefit of removing the bottom 10 feet offsets this cost.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve the quote of Flood Stucco, Inc. in the amount of \$29,990 to perform the maintenance work at the Wastewater Treatment Facility.

Director Harren noted that staff is soliciting quotes for tuck pointing and painting of two additional buildings. The quotes received will be submitted at the Commission's June meeting.

- b. Director Harren reported that Supervisor Gilbertson obtained quotes to install a trench drain in the 300 building, which presently has a floor drain. The trench drain would be installed underneath the pumps and piped into the floor drain, and would capture the wastewater from the pumps when maintenance to the pumps is required. Two quotes were received: Servatius Masonry Construction - \$2,170, and CCC - \$3,980. Staff recommended that the quote be awarded to the low quote from Servatius Masonry.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to approve the low quote from Servatius Masonry in the amount of \$2,170.

- c. Director Harren reported that a recommendation has been received from MRES regarding the filing of Western Area Power Administration Integrated Resource Plan (IRP). He noted that MRES is recommending that its Minnesota members form an Integrated Resource Plan cooperative for the purpose of filing the IRP. MRES would then file on behalf of the Minnesota MRES Members.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to authorize execution of the Request to Form IRP Cooperative.

A.I. #6 OLD BUSINESS

- a. Director Harren reported that Dave Unmacht of Springsted, Inc. will be visiting with each City Department Head and/or Supervisor on May 14 as he continues his work on the organizational assessment. It is hopeful to have the draft study completed by early to mid-June and the final document by end of June.

- b. Director Harren stated that the meeting with Industry Officials has been scheduled for 9:00 a.m. on Tuesday, June 8 at the Melrose City Center. The purpose of the meeting is to review the 2011 proposed water, wastewater, and electric rates, as well as to discuss any other items of interest. It was noted that the 2011 rate increases to be proposed to Industry are: Water – 0%, Wastewater – 5%, Electric – 0%. However, these could be subject to change if revenues and expenditures closer to year-end indicate some additional adjustments are necessary.

One of the items on the meeting agenda is the request from Melrose Dairy Proteins (MDP) for the City to consider the feasibility of entering into the business of providing natural gas. Director Harren noted that he had completed preliminary research and it appears that the City would be able to obtain contracts from BP and Northern Pipeline to purchase and distribute natural gas. However, at this point the City has not received any formal request. Director Harren questioned whether the Commission felt this would be a worthwhile endeavor for the City. He also stated that, if the Commission decides to proceed, a vote of the City residents would be required under statute. The Commission felt this matter can be further discussed with Industry at the upcoming meeting.

- c. Director Harren reported that the City received four proposals for engineering services for the trunk main extensions from the intersection of Eleventh Avenue East and CR #65 southeasterly to the intersection of Twelfth Avenue East and CR #65, then south to the Lake Wobegon Regional Trail. The following proposals were received:

Minnesota Engineering and Construction Services - \$11,000
WSB - \$15,000
Bonestroo - \$15,300
SEH - \$22,000

Director Harren noted that all the bids received were very competitive. He also expressed concern over whether it is in the City's best interest to issue RFPs for every engineering project as this could result in there being no continuity for the City, such as an engineering firm knowing all of the City's history, updating of the CivicSight information, etc. He felt that the overall costs charged by engineers in a typical economic environment are not that different from each other, and if the City has no problems with the firm designated as the City's engineer, there is no real benefit to seeking proposals for every project. There is, however, a lot of staff time involved in preparing the RFPs, analyzing the RFPs received, as well as more time during the construction/inspection phase as every engineer has a different approach. After the award of this RFP, Director Harren requested Commission consideration to either remaining with the City's present engineer, Bonestroo, or choosing an engineering firm to conduct all the City's work, and if the time comes when the City is no longer pleased with either the cost or the services, it should at that time determine which other firm it chooses to go with.

Due to potential assessments involved with this project, the City Council, by statute, will have to take action to proceed. The Commission recommended proceeding with the project.

- d. The Commission, at its April 12 meeting, had also authorized staff to obtain quotes for improvements to the Electric Department warehouse, which requires new roofing, siding, insulation and windows. The following four bids from local contractors were received:

Hennen Lumber - \$84,951
Arnzen Construction - \$86,477
Worms Lumber - \$88,959
Kraemer Lumber - \$95,973

Supervisor Lyon stated the quotes had also included an option to include 24 gauge steel roofing, but recommended that the City stay with the base bid.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to authorize awarding the bid to Hennen Lumber in the amount of \$84,951.

- e. Director Harren reported that in 2007, the Commission approved contributing \$2,000 for the upgrade of LuVerne Ritter's septic system. He stated that Supervisor Gilbertson has been working with Stearns County and the Minnesota Department of Health for additional grant funding. An application has been submitted to the Source Water Protection Grant Program. Supervisor Gilbertson stated that the Ritters are interested in upgrading their septic system if additional funding becomes available. He stated that the grant application was for \$10,000 and is a non-matching grant. He noted he will keep the Commission informed as to whether the City receives the grant or not.

A.I. #7 NEW BUSINESS

- a. Assistant City Administrator/Treasurer Thostenson then presented the proposed 2011 Budgets for the Water, Wastewater and Electric Funds. She stated that the revenues are based on year-to-date and historical usages and revenues, as are the expenditures. In achieving balanced budgets, the following rate increases are recommended: Water – 0%, Wastewater – 5%, Electric – 0%. It was noted that the preliminary budgets include salary adjustments of 1.5% for 2011, and noted that the Water/Wastewater Budgets include salary/benefits for the currently vacant Maintenance Worker position. It was noted that if this position is not filled, the Wastewater rate increase could be reduced slightly. Also presented were trendlines showing anticipated cash levels at 2015 with the proposed rates and projected capital improvements. The Commission also reviewed the proposed Five Year Capital Improvement Plans for the Utilities funds; these amounts were included in the trendlines. Director Harren noted that the anticipated Wastewater improvements estimated at \$3,000,000 are outside the Five Year Capital Improvement Plan, so adequate funding must be available when those improvements are undertaken. There are also some large Electric substation costs anticipated over the next 5-7 years.

Ms. Thostenson and Director Harren noted that these preliminary budgets were established to arrive at proposed 2011 utilities rates which can be presented to Industry at the upcoming meeting. However, an extensive review of the proposed revenues and expenses will be held prior to final adoption in Fall 2010 at which time rates may be adjusted if necessary.

The Commission was in agreement with the proposed 2011 budgets and Five Year Capital Improvement Plan.

A.I. #8 INFORMATIONAL ITEMS

The following informational items were reviewed:

- a. The Comparative Revenue and Energy Statement for the Electric Department for the first quarter of 2010 and the Production and Distribution Statement for the Water Fund for the same period.
- b. The 2010 Middle Sauk River Water Festival is scheduled for Thursday, May 13 at the Sauk River Park in Melrose. In 2009, about 500 fourth grade students for surrounding area schools participated in the event. The Melrose Public Utilities made a donation of \$1,000 towards this event.
- c. The Commission, at its April 12 meeting, authorized staff to obtain quotes for materials required for burying the power lines from the south end of Country Club Drive to Klaphake Turkey Farm on 370th Street, and from Ninth Avenue South to Twelfth Avenue South along East Main Street. The quotes were awarded to: WESCO – three-phase padmount transformers - \$9,280; Burmeister – 8,250 ft. of cable at \$1.77/ft.- \$14,602.50; Resco – 1,000' of cable @ \$2.2317/ft; Stuart C. Irby Co. – 2,000' of cable @ \$1.15238/ft.
- d. The sewer backup claim by Ernest Hedglin resulting from the directional bore at the old CentraCare Clinic building in the amount of \$3,510 has been settled and the case closed.

A.I. #9 ADJOURNMENT

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried that the meeting be adjourned at 6:25 p.m.

PATRICIA HAASE – CITY CLERK