

**MELROSE PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
MONDAY, JULY 13, 2015 – 11:00 A.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
  - e. Finance Director Step Increase
  - f. Accounting Clerk Step Increase
4. Reports
5. Action Items
  - a. Padmount Switch Purchase/Inventory
  - b. Water Shutoff
  - c. Pay Voucher #2 – 2015 Electric Distribution Feeders and Power Plant Bus Tie
  - d. Wastewater Treatment Facility Upgrade / Levee
  - e. Aerial Truck #5 Repairs
6. Old Business
  - a. Melrose Underbuilt on Xcel Transmission Lines/Sempra U.S. Gas & Power/69 kV Transmission Switches
  - b. NSP Interconnect Amendment
7. New Business
  - a. NSP Structure Sharing Agreement
  - b. 2015 Five Year Capital Improvement Plan, Budgets and Proposed 2015 Rates
  - c. CentraCare Health Melrose Hospital
  - d. 2015 Circuit 4E Underground Electric Distribution
8. Informational Items
  - a. Bank Accounts
9. Adjournment

**MELROSE PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
MONDAY, JULY 13, 2015 – 11:00 A.M.**

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, July 13, 2015 at 11:00 a.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Eric Seanger, Lyle Olmscheid, and Dick Christenson, Electrical Supervisor Dale Lyon, Water/Wastewater Coordinator Tim Vogel, City Administrator/Treasurer Michael Brethorst, Finance Director Tessa Beuning, and City Clerk Patti Haase. Chair Seanger called the meeting to order.

**A.I. #2 APPROVAL OF AGENDA**

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

**A.I. #3 CONSENT AGENDA**

The following were considered for approval under the Consent Agenda:

- a) the minutes from the Commission's June 8 Regular and the Commission's June 29 Special Meeting.
- b) list of bills in the amount of \$973,258.51. (See attached list)
- c) Investments Report for the month of June. (See attached list)
- d) the Delinquent Accounts Report for the month of June.
- e) Finance Director Tessa Beuning will complete one year of service on July 9. City Administrator Brethorst has reviewed her performance and it is favorable; therefore, is recommending that Ms. Beuning be advanced from Step 5 to Step 6 annually.
- f) Accounting Clerk Stacy Funk will complete one year of service on July 28. Finance Director Beuning and City Administrator Brethorst have reviewed her performance and it is favorable; therefore, are recommending that Ms. Funk be advanced from Step 4 to Step 5 per hour.

The Commission to give approval to Ms. Beuning and Ms. Funk's step increases.

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

**A.I. #4 REPORTS**

None

## **A.I. #5 ACTION ITEMS**

- a. Electrical Supervisor Lyon noted that staff received quotes for padmount switches for the Underbuilt Project at a unit cost of \$12,000. Electrical Supervisor Lyon felt this was a good price and wishes to purchase an additional switch for inventory. Since this is above the purchasing threshold, staff is requesting approval to purchase an additional switch for inventory.

A motion was made by Christenson, seconded by Mr. Olmscheid and unanimously carried approving the purchase of a padmount switch for inventory purposes.

- b. Administrator Brethorst noted that residential water shutoff and stand pipe replacement is the responsibility of the City. The City manages from the standpipe back to the water main. As the system ages and homes are being abandoned and go into foreclosure, there are times that a standpipe and shut off need to be done. The property located at 115 2<sup>nd</sup> St SE is one such house. The home is currently in foreclosure and requires the shutoff to be replaced. We have not historically, proactively replaced valves and standpipes; however, knowing that this home has significant water issues, it is recommended to replace and repair the stand pipe and shut off on the property. Secondly, it is recommended that during the 2016 budget process, an additional \$7,500 be allocated to the maintenance budget to allow for these repairs and allow staff, when needed, to be proactive and replace the stand pipe and shut offs when needed.

A motion was made by Mr. Olmscheid seconded by Mr. Christenson and unanimously carried approving the replacement and repair of the standpipe and shutoff located at 115 2<sup>nd</sup> Street SE. Beginning in 2016, the Utilities will begin to budget approximately \$7,500 for this type of replacement and repair.

- c. The Commission next gave consideration to Pay Request #2 from Dig America for the 2015 Electric Distribution Feeders and Power Plant Bus Ties in the amount of \$135,567.25. Dig America has been contracted to provide excavating and trench work for the 2015 Electric Distribution Feeders and Power Plant Bus Tie. Scheduled work completed equals \$135,567.25. The total percent of work completed is estimated at 47%.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried approving Pay Request #2 from Dig America for the 2015 Electric Distribution Feeders and Power Bus Plant Ties in the amount of \$135,567.25.

- d. City Administrator Brethorst stated that the City has been working with SEH for approximately two years to develop plans and specifications for the replacement of the levee and make necessary Wastewater Treatment Facility improvements. Funding has been secured from the DNR for the replacement of the levee at a 50% match agreement. There are no special funds or grants for the non-levee projects. The funds to pay for the City portion of the levee will be paid out of the Water Fund and the non-levee related costs will be paid out of the Wastewater Funds. The bid opening for the complete project was held on Thursday, July 16 at 1:00 p.m. One bid was received from Magney Corporation in the amount of \$2,693,556. SEH is in

the process of reviewing the bid.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried awarding the bid to Magney in the amount of \$2,693,556.

- e. Electrical Supervisor Lyon noted that Aerial Truck #5 is in need of service repairs. Mr. Lyon has obtained two quotes as per the Purchasing Policy. The estimate for repair is \$4,375.20 to Truck Utility, Ramsey, MN.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried authorizing repairs.

#### **A.I. #6 OLD BUSINESS**

- a. Administrator Brethorst commented that the Commission, at its June 8 meeting, authorized staff to approve bid specifications, posting for bids and, if required to meet short suspense time lines, award the bids if the Utilities Commission does not meet for more than 10 days. This information would then be presented to the Commission at its next regular meeting. Staff received two quotes for padmount switches with the low quote being from the Stuart C. Irby Company in the amount of \$72,000.
- b. City Administrator Brethorst stated that in November 2014, the City updated its Service Agreement for Transmission to Load Interconnection with Northern States Power Company (NSP). This agreement outlines the physical connection the City maintains with NSP transmission lines. It also outlines responsibilities for switch operations and other operational related activities to ensure safe operations are maintained.

With the building of the Southwest Substation, the City was required to update the agreement to reflect the facility and remove the references relating to the Power Plant Substation referred to as Melrose Substation. NSP will be presenting the City with an amended agreement to reflect the changes.

At the time of the meeting, the City has not received a draft copy. Upon receipt, the City will review the document in detail followed by a review by MRES and DGR to ensure the agreement is acceptable. Pending final review of the agreement by MRES, DGR and City staff, recommend approving the agreement upon final edits. The final agreement to include the Melrose Public Utilities owning the switches and Xcel Energy providing maintenance and service for the switches.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried approving the revised Interconnect Agreement pending review and comment by staff and professional consultants DGR and MRES.

#### **A.I. #7 NEW BUSINESS**

- a. City Administrator Brethorst noted that NSP and the Melrose Public Utilities maintain a Structure Sharing Agreement. It was last updated in 1975 and originally signed in 1966. The agreement allows the City to maintain distribution feeders and

associated equipment on the NSP poles.

With the rebuild underway for the NSP poles in question, NSP is requiring an amendment to the agreement as it has been approximately 40 years since it was last reviewed.

At the time of the meeting, the City did not receive a revised copy of the agreement. Upon receipt, the City, along with DGR, will review the document in detail to ensure the agreement is acceptable. Pending final review of the agreement by DGR and City staff, it is recommended the Commission approve the agreement upon final edits.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried approving the revised Structure Sharing Agreement pending review and comment by staff and professional consultant DGR.

- b. The Commission next reviewed the Five Year Capital Improvement Plan for the Electric, Water, and Wastewater Funds.

Finance Director Beuning presented the proposed 2016 budget recommendations, revenue and expenditure budget worksheets, the 2016-2020 Five Year Capital Improvement Plans, along with the proposed 2016 electric, water, and wastewater rates. Finance Director Beuning will outline the major considerations taken into account during the budget preparation in the 2016 budget recommendations. Based on these principals as well as the proposed capital improvements in each of the departments, it is recommended that the following rate changes be considered: Electric – 5% increase; Water – no greater than 1%; Wastewater – 5% increase. Final budget, Capital Improvement Plan and rates for 2016 will be submitted for adoption at the Commission's November meeting.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried approving the preliminary 2016 budget, proposed 2016 electric, water, and wastewater rates and the 2016-2020 Five Year Capital Improvement Plan.

- c. Administrator Brethorst stated that CentraCare Health is in the process of planning and raising funds for the construction of a hospital in Melrose. The total project is projected to cost upwards of \$23,000,000. They are looking to raise 10% of the funds to cover the local match for the facilities construction. They are solicitation local entities to contribute to the construction of the facility.

Respectfully, the CentraCare campus is projected to pay \$215,339 in total electric, water and wastewater annually. Of their total property tax statements, they annually pay \$51,593 to the City. The Melrose Area Development Authority (MADA) has heard two separate presentations from CentraCare regarding their development and fundraising efforts.

After much discussion and debate, MADA is recommending a contribution from the City's General Fund and the Melrose Public Utilities:

- \$150,000 - City General Fund

- \$100,000 - Public Utilities

Staff has reviewed the budget and cash balances for both General and Utilities. If the Council or Utilities were to contribute, it is recommended to fund it as follows:

- General Fund: \$150,000 would be paid from the loan payment proceeds due from CentraCare in a one-time payment.
- If the Utilities were to contribute the \$100,000, it would be over a four-year pledge with payment coming from cash reserves. The payments would be Electric Fund - 50%, Water Fund - 25%, and Wastewater Fund - 25%.

A motion was made by Mr. Seanger, seconded by Mr. Christenson and unanimously carried to table action pending a public hearing and action from the Council.

- d. Electrical Supervisor Lyon stated that the Melrose Public Utilities is receiving bids for the 2015 Circuit 4E Underground Electric Distribution. Bid opening will be held on Tuesday, July 28, 2015 at 1:00 p.m. at the Melrose City Center. The general nature of the work which bids will be received consists of construction of a 15kV underground primary cable system, conduits, and equipment bases. This also includes the installation of owner-furnished primary cable. The engineer's estimate for the project is \$190,000. Due to time constraints, staff is seeking Commission approval to award the bid to the lowest bidder based on DGR's recommendation.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried authorizing staff award the bid to the lowest bidder based on DGR recommendation.

#### **A.I. #8 INFORMATIONAL ITEMS**

- a. The City and Utilities maintained separate bank accounts, as well as a third account for payroll transfers. This process resulted in additional time spent on creating multiple vouchers per vendor and writing two checks per vendor when payments were split between General and Utility Funds.

If transfers were made between funds, staff would need to create a disbursement in the system as well as record a receipt of the funds. This created the need for reconciling items when transfers would occur after month end, as well as recognizing balances owed/due to funds when done after year end. Additionally, staff would have to transfer funds from each account for each payroll into a separate, payroll clearing account, plus, our vendors, on many occasions, as well as employees that support both the General Fund and Utilities Funds, would receive multiple checks versus just one check.

Staff reviewed the Utilities Commission bylaws, as well as discussing with the City's auditors regarding best practices. It was determined that it would be best to consolidate the accounts to increase efficiencies, streamline processes and reduce the risk of errors. Additionally, it was abnormal for a city to have multiple accounts. Now, we will be following standard processes and eliminate the need for additional processes. As we use fund accounting already, we will continue to separate our funds to ensure no co-mingling of funds can occur.

Commission Member Olmscheid noted that in doing so he believes the Utilities loses its identity and recommends continuing with the two separate accounts. Mr. Seanger noted that from an accounting stand point, it would improve efficiencies in the processes.

After further discussion, a motion was made by Mr. Olmscheid to continue with the two separate accounts. The motion was seconded by Mr. Christenson with a roll call vote recorded as follows:

FOR: Commission Members Olmscheid and Christenson

AGAINST: Commission Member Seanger

### **A.I. #9 ADJOURNMENT**

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried that the meeting be adjourned at 12:00 p.m.

---

PATRICIA HAASE – CITY CLERK