

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, AUGUST 10, 2020 – 4:45 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. Charged Off Accounts / Accounts Collected
4. Reports
 - a. Utilities Fund Financial Quarterly Report
 - b. Water/Wastewater Supervisor Report
 - c. Electrical Supervisor Report
5. Action Items
 - * a. Vacation Easement
 - * b. Well House #4
6. Old Business
 - a. WWTF Update
 - b. Cares ACT Update
 - c. Union Negotiations
7. New Business
 - a. Records Management/Laserfiche
 - b. 2021 Budget, 2021 Rates, Five Year Capital Improvement Plan
8. Informational Items
 - a. Electric and Water Comparative Statements
9. Adjournment

* Amendment

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, August 10, 2020 at 4:45 p.m. at the Melrose City Center and via Global GoToMeeting pursuant to due notice being given thereof. Present were Commission Members Jeremy Kraemer, and Joe Finken, Electrical Supervisor Roger Avelsgard, Water/Wastewater Supervisor Tim Vogel, City Administrator Colleen Winter, Finance Director Tessa Beuning, City Clerk Patti Haase, and Utility Billing Clerk Sharon Blaskowski. Susan Danzl with SEH attended the meeting remotely. Commission Member Seanger was absent. Chair Finken called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Kraemer to approve the agenda as amended. The motion was seconded by Mr. Finken with a roll call vote recorded as follows:

FOR: Commission Members Kraemer, and Finken

AGAINST: None

ABSENT: Commission Member Seanger

A.I. #3 CONSENT AGENDA

The following were considered for approval under the Consent Agenda:

- a. The minutes from the Commission July 20 Regular Meeting
- b. List of bills in the amount of \$ 1,003,383.86 (See attached list)
- c. Investments Report for the month of July (See attached list)

A motion was made by Mr. Kraemer to approve the Consent Agenda items. The motion was seconded by Mr. Finken with a roll call voter recorded as follows:

FOR: Commission Members Kraemer, and Finken

AGAINST: None

ABSENT: Commission Member Seanger

A.I. #4 REPORTS

- a. Finance Director Beuning presented the Utilities Fund Financial Second Quarter Report of revenues and expenses for the Water, Wastewater, and Electric Departments. Revenues for water sales are overall slightly below projections at 46%. Utility billing revenues are averaging about 47%. This is related to commercial and industrial sales, because of shutdowns or decreased productivity as a result of Covid-19. Expenditures are low for the first half of the year coming in at about 33% of budget. Wastewater revenues are at 58% of budget. Expenses are at 52% of the budgeted costs for the year. Electric revenues are at 50% of budget. Expenditures overall are on track at 47% of budget.
- b. Water/Wastewater Supervisor Vogel provided an update on water/wastewater projects. Mr. Vogel stated that there is an issue with the pump on Well House 4.

Dan from Freeport Electric determined that the lining was getting thin and the pump would need to be reinsulated.

- c. Electrical Supervisor Avelsgard provided an update on the Industrial Park Project and South Interstate Project.

A.I. #5 ACTION ITEMS

- a. Harland Hector has two parcels he intends to combine. He has requested an easement vacation for the 6-foot easements on each side of the shared property lines. Easements will be retained along the east and west property lines. There are no known utilities in the interior easement area. The City Council will hold a hearing on the vacation of the easement at its September 17, 2020 meeting.

A motion was made by Mr. Kraemer recommending the Council approve the easement vacation for the 6-foot easements on each side of the shared property. The motion was seconded by Mr. Finken with a roll call vote recorded as follows:

FOR: Commission Members Kraemer, and Finken
AGAINST: None
ABSENT: Commission Member Seanger

- b. Water Wastewater Supervisor Tim Vogel stated that they have identified a problem with the pump on Well #4. Mr. Vogel has obtained a quote from Lewis Motor for \$6,500 to have the pump reinsulated however there will be additional costs incurred as Their Well will need to pull and re-install the pump

A motion was made by Mr. Kraemer approving the repair and to have the pump pulled and re-installed by Their Well. The motion was seconded by Mr. Finken with a roll call vote recorded as follows:

FOR: Commission Members Kraemer, and Finken
AGAINST: None
ABSENT: Commission Member Seanger

A.I. #6 OLD BUSINESS

- a. Staff presented a memo from Susan Danzl regarding our WWTF project along with a proposed rate schedule. Susan Danzl, SEH Engineer, Tim Vogel, Water/Wastewater Supervisor, Tessa Beuning, Finance Director and Colleen Winter, City Administrator have discussed several options at length when it comes to how we should proceed with this project and the best scenarios.

Financing

There are two sources of financing.

- The City could finance through the *Clean Water Revolving Fund (CWRP)* program administered by the Public Facilities Authority (PFA). This load could have 15-year or 20-year term and the interest rate would be 1%. With this loan, the City would be required to follow both State and Federal prevailing wage requirements and the project would be subject to American Iron and Steel (AIS) requirements. These requirements increase the project cost and are reflected in SEH's cost estimate. Using the CWRP allows the City to be eligible for a loan forgiveness

grant of potentially \$700,000 offered through the PFA's Green Project Reserve program. This financing cannot be paid down more quickly than the loan term.

- The City could bond on their own. This offers the City flexibility to repay as quickly as possible and does not come with prevailing wage and AIS requirements. It would not allow for the potential \$700,000 loan forgiveness grant. It also likely has a higher interest rate, estimated at 2%. With the goal of not financing more than 50% of the project costs, the financed amount is assumed to be **\$5.5 million**. This is 50% of the reduced project cost (\$11.1 million). **The fund balance projections assume \$5.5 million is financed with PFA's CWRP over 15 years with a 1% interest rate.** The CWRP program with the lower interest rate and potential for principle forgiveness offers greater potential savings.

Capital Outlay

The wastewater fund has generated more revenue than projected due to changes at the industries. This increased revenue has helped the fund grow to a 2019 end-of-the-year balance of \$5.38 million. Minimally, the fund should maintain 6 months of operating expenses, which is approximately \$650,000. The fund balance projections assume the fund pays \$4.85 million for the project in 2020 (noting that \$773,000 of the total project cost was for design and has been paid already).

The proposed increase is to offset the bonding funds staff is recommending a 5% increase in 2021. Should a bonding bill be passed we could look at lowering the 2022 rates.

Commission Member Kraemer requested staff to look at rate increases based on 20-year financing and extending the length of the depreciation. This will be brought back before the Commission at its September meeting.

- b. City staff has been working on determining how the CARES act funds should be spent based on input from the PUC, Council and MADA and we are proposing to spend the money as follows:
1. Reimburse the City for expenses that they have incurred that were outside of the 2020 budget – PPE, glass protection in the Reception area, additional cleaning, etc.
 2. Set up a program for small business relief in conjunction with Stearns County.
 3. Reimburse the City for staff salaries for time spent on COVID related matters. City payroll is a budgeted item and so therefore we are proposing to transfer funds from the General Fund and move that money into MADA's account to be used for a Supplemental Business program to the City/County program.

The Commission concurs with the Council on the CARES Act Fund Program

- c. City Administrator Winter stated that the Ad Hoc committee met with AFSCME and both parties tentatively agreed to the following:
- 3% COLA increase
 - \$25 per month addition to employee's HSA account
 - \$50 cell phone stipend data plan per month; no city phone
 - Health insurance cost to be determined

- No employer cost participation in the dental insurance
- No change in the sick leave policy payouts
- No change in call time.

Other items discussed were Comp time and PTO.

A.I. #7 NEW BUSINESS

- a. Admin staff reviewed software options to convert to a more paperless environment. Currently, the City/Utility utilizes Open Text (Alchemy) as a record retention/file storage option. More commonly, files are maintained on our network folder and in paper format in our vault.

Laserfiche is a very common software used among local governments, as well is a preferred vendor with our accounting and billing software (Civic Systems). This system would integrate with Civic and would allow staff to tie documents to our financial and HR data records.

Documents are scanned and stored as readable formats with individual fields able to be searched. This would be able to be utilized as our record retention system to ensure proper record keeping with Minnesota State Statutes, as well as to monitor and notify staff on approaching timelines (such as contract renewals). The 2020 capital plan had budgeted for this with \$14,700. The attached proposal shows an annual license fee of \$5,400. The initial set up costs would be:

• Installation and Configuration	\$1,850
• Clerk/Admin Module	\$5,500
• AP Checks	\$2,220
• One Desk Scanner	\$ 950
• Large Network Scanner	<u>\$5,000</u>
Total*	\$15,520

* As of the time of the agenda preparation, the quote had not been received for the HR module, or the AP workflow. Staff would like to add the HR module with the initial setup which is estimated to be \$2,000-\$3,000.

A motion was made by Mr. Kraemer authorizing staff to utilize Lasherfiche for file storage, retention, and workflow software. The motion was seconded by Mr. Finken with a roll call vote recorded as follows:

FOR: Commission Members Kraemer, and Finken
 AGAINST: None
 ABSENT: Commission Member Seanger

- b. Finance Director Beuning presented the proposed 2021 budget recommendations, the proposed 2021 water, wastewater and electric rates, and the 2021-2025 capital plan. Per review of the budget, as well as the water, wastewater, and electric rate studies performed, it is proposed to have a 1.25% increase for water rates, a 5% increase for wastewater rates, and a 1% electric rate increase. Water/Wastewater Supervisor Vogel and Electric Supervisor Avelsgard reviewed their capital planning needs.

A.I. #8 INFORMATIONAL ITEMS

- a. Comparative Revenue and Energy Statement for the Electric Department, and the Production and Distribution Statement for the Water Department.

A.I. #9 ADJOURNMENT

A motion was made by Mr. Kraemer that the meeting be adjourned at 6:10 p.m. The motion was seconded by Mr. Finken with a roll call vote recorded as follows:

FOR: Commission Members Kraemer, and Finken

AGAINST: None

ABSENT: Commission Member Seanger

PATRICIA HAASE – CITY CLERK