MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, AUGUST 8, 2022 – 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
   e. Pay App #15 Magney Construction

4. Reports
   a. Finance Director Report/Utilities Fund Financial Quarterly Report
   b. Water/Wastewater Supervisor Report
   c. Electrical Supervisor Report
   d. City Administrator Report

5. Action Items
   a. Nature Energy – Trip to Denmark to Visit Nature Energy Biogas Plant

6. Old Business
   a. WWTF Update

7. New Business

8. Informational Items
   a. Electric and Water Comparative Statements

9. Adjournment

MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, AUGUST 8, 2022 – 4:45 P.M.

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, August 8, 2022, at 4:45 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Jeremy Kraemer, Eric Seanger, and Joe Finken, Electrical Supervisor Roger Avelsgard, Water/Wastewater Supervisor Tim Vogel, City Administrator Colleen Winter, Finance Director Tessa Beuning, Utility Billing Clerk Sharon Blaskowski, and City Clerk Patti Haase. Chair Kraemer called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Seanger, seconded by Mr. Finken 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 July 11 Regular Meeting
b) List of bills in the amount of $1,219,069.79 (See attached list)
c) Investments Report for the month of July See attached list)
d) Utility uncollectible accounts in the amount of $401.34 have been submitted to Revenue Recapture, collections, or written off. A complete list of accounts is on file at the City Office. There was also a total of $272.43 collected from account holders during the second quarter.
e) Magney Construction has submitted Pay App #15 In the amount of $386,329.37 for the work completed through 7/31//2022. SEH has reviewed the Payment Request and is recommending payment as outlined in the invoice.

A motion was made by Mr. Finken seconded by Mr. Seanger and unanimously carried to approve the Consent Agenda items.

A.I. #4 REPORTS

a. Finance Director Beuning provided an update on the following

PFA Update:
The Utility had the first principal and interest payment on the PFA loan come due in August, which was a principal payment of $39,321. The Utility will be making the final draw request of $357,013.40 after the approval of Magney Pay App #15. Upon payment of this final draw, the Utility will receive the final loan documents and amortization schedules.

Budget Update:
The 2023 budget, capital improvement plan, and 2023 rate schedule is in preparation. Staff is waiting on significant capital planning and estimates with our engineers to complete the budget and financial planning. It is planned to bring the preliminary version to the PUC for their review at the September 13th meeting.

RDB Payments:
Typically, invoices for capital projects are brought to the Governing Body for their review and approval prior to payment. For the RDB project, although this is primarily funded by the City's General Fund, a portion of the project is paid by the Utility. Due

to the timing of when these invoices are received from Stearns County, it typically is not available prior to the monthly PUC meetings. If a portion of the invoice is related to utility, this could delay our payment to the County by over a month from when we receive the invoice. Every invoice is reviewed compared to the budget and engineer’s estimate. It is requested for the Commission to grant approval to the Finance Director to issue payments on these invoices on their behalf. Those payments will then be shown the subsequent month on the consent agenda.

Finance Director next presented the Utilities Fund Financial Second Quarter Report of revenues and expenses for the Water, Wastewater, and Electric Departments.

- Water sales between the revenue classes range from 43-51% of the annual budget. Water connection fees are at 58%. Water sales are down from this time last year due to decreased usage across all classes, as shown on the subsequent charts.
- Interest income is showing as a large negative due to market value losses. Finance Director Beuning continuously works with our investment advisors to monitor the Utility's investment portfolio to structure the funds to balance investment yield, security, and to plan for adequate cash flow.
- Also included in miscellaneous revenues are the rental agreement fees. There are several agreements for antennas on our water towers. Verizon pays their payment as an annual lump sum in December ,which brings the percentage of the budget collected down.
- Net income is slightly less as of mid-year compared with the prior year. This is primarily due to a decrease in water sales due to lower usage.

- Wastewater charges are on track with budgeted expectations. Residential/commercial sewer charges have increased about 7% from the prior year. Although there were small rate increases in 2022, most of the revenue increase is caused by increased commercial sewer usage. When reviewing customer usage for 2022 compared with 2021, the biggest variance is numerous apartment complexes started being charged sewer that had been inadvertently missed up until June 2021.
- The Wastewater Fund also had a significant loss on investments. However, this is absorbed in miscellaneous revenues by the $1,054,233 grant proceeds received from the State of MN for the WWTF improvement project.
- The Wastewater Fund purchased a New Holland tractor in January for $209,000. The old tractor was traded in during this purchase and the sale of the asset is recognized as another financing source.
- The increase in net income is primarily driven by the grant revenue received to reimburse the WWTF project. The costs paid out are capitalized, so they are not shown as an expense in the Wastewater Fund.

- Electric Fund - Ms. Beuning stated that as with the other funds, the market value investment losses had a large impact on the Electric Fund, totaling $100,000.
- There was approximately $45,000 received from Arvig as reimbursement for the industrial park project.
- The other financing source revenue that was not budgeted, is the sale of the 2002 Ford F250 on auction. This vehicle was replaced in the fall of 2021.
- Net income (loss) is comparable with this time last year for the second quarter.

b. Water/Wastewater Supervisor Vogel provided an update. Staff continues to work on reducing the chemical usage. Staff attended a virtual meeting regarding the Lead Pipe and Paint Action Plan. Under the Lead and Copper Rule Revisions, water systems are required to prepare and maintain an inventory of service line materials by October 16, 2024.

c. Electrical Supervisor Avelsgard provided a status update on their projects. The Melrose Public Utilities received a Capital Credit Certificate from Resco in the amount of $4,243. Staff has prepared specification for bids for single and three phase transformers. The bids are due on Wednesday, August 17. The Commission by consensus schedule a special meeting for Friday, August 19 at 6:30 a.m. to review and give consideration to awarding the bid. Staff is working with SEH in formulating ideas for the Generation Power Plant Exterior Project. Staff is working with DGR, Interstate Power Systems, Caterpillar, and MRES on obtaining budgetary numbers to add generation capacity.

d. City Administrator provided an update on the following:
SIU discussion with Jennie O – Water/Wastewater Supervisor Vogel, City Administrator Winter and City Engineer Susan Danzl met with Dave Baumgart, Anis Iman, and Jack Schroeder to discuss changes to their SIU agreement. There were not substantial changes, it was more designed to clean up previous documents and to make things more clear. We did spend some time discussing their limits/allocations – primarily BOD's. We talked about how the limits were set and if any requests come in to change the parameters, we could look at it. Since we met with the Jennie O team, their attorney has responded back with their comments.

RDB update - The Dam draw down has been completed. Repairs have begun on the wall south of the dam spillway. The dam itself was cleaned (thanks to Melrose Fire Dept.) and there does not appear to be any leaks or concerns at this time. Lunda has poured the bridge approaches and should be starting the bridge pour the week of August 8^{th}.

Sauk River Park - SEH has staked out the campsites at Sauk River park and I will be attending the LCCMR meeting on August 10^{th} to present our final work plan. The City received $350,000 from LCCMR for upgrades to the park. This money will be used for new campsites, a canoe/kayak launch, fishing pier, signage and partially funding of a new bathroom/shower facility.

Housing

- <u>Middendorf property</u> - Approved the purchase agreement of the Middendorf property and signed the purchase agreement. *MADA unanimously approved*. Next step is to schedule closing.
- <u>Theiler Property</u> – MADA now owns what was formally the Theiler property located off of Railroad Avenue NW on the far west side of town. The site is approximately 39 acres, of which 20-22 acres are developable. The total purchase was $230,555.00 To assure the sellers of their right to harvest the corn on the property, MADA signed a notarized statement at closing that states the Theiler's may harvest the corn this year and may lease the approximate 20

acres of property for farming, until it is developed or until MADA decides that it does not wish to have the property farmed, for $100/acre.

- Have met with two different developers and discussed both the Middendorf and Theiler properties.

A.I. #5 ACTION ITEMS

a. Plans are underway for a second Trip to Denmark to visit Nature Energy Biogas plants. A year ago, 15 people from three communities (Benson, MN; Wilson, MN; and Roberts WI) made a similar trip. Each of those communities now have a Nature Energy Project proceeding through the permitting process with plans for start of construction in 2023. Each of these project's plan to use Jennie-O turkey litter and dairy manure from local farms as feedstocks. The second trip is planned for people from the Melrose area as well people from Independence, WI and Eagle Grove, Iowa. The dates for this year's trip are September 25 – 30.

The trip will be led by Kim Bremmer, kim@aginspirations.com. who provides consulting services to Nature Energy.

The people from the Melrose area that will be encouraged to participate in the trip are local dairy farmers as well as Jennie-O and Pilgrim's Pride corporate and contract growers, and representatives from the City. A decision will need to be made by August 15th in order to secure a spot on the trip. At the last regular MADA Board meeting, the Board unanimously approved sending the Mayor and one other MADA Board member, and recommended that the City send the City Administrator or other City representative. Due to a conflict, I will not be able to go. It is logical to send Roger Avelsgard in my place. Nature Energy uses a significant amount of electricity and it would be important to understand how this impacts our electric utility. Susan Danzl from SEH may also be going on the trip.
The cost per person is approximately $2,453. This includes airfare, hotel and some meals. Nature Energy provides all of the transportation and some of the meals also.

A motion was made by Mr. Seanger, seconded by Mr. Finken and unanimously carried authorizing Electrical Supervisor Roger Avelsgard to participate in the trip to Denmark with a Melrose delegation to tour Nature Energy Biogas Plant, contingent upon local industry also sending representative(s)

A.I. #6 OLD BUSINESS

a. Water/Wastewater Treatment Facility Update from SEH.

STATUS OF CONSTRUCTION: IN PROGRESS

Structure	Status of Construction	Upcoming Construction
Preliminary Treatment Building (02)	• Screw pump base slab complete • Magney Finished pouring all 3 tiers of the screw pump walls	• Magney will be working on forming and pouring the concrete sloped slab for the screw pumps along with the equipment pad • Work on pouring floor for the screening room

	• Finished working on footings and foundation walls for screening room • Poured floor of collection/mechanical room • Backfilled the unexcavated portion beneath the screening room. • Underground piping in building footprint complete • Precast walls and roof have been set besides one wall panel	• Once floor in screen room has been poured the screens will be placed and the last precast wall panel will be set
Control Building (03)	• Removed old recirculation pump, and pump base	• Install WAS pumps
Pump and Blower Building (04)	•	•
Existing Final Clarifier (05)	•	• Sludge piping • New mechanism on site. Start installation once new final clarifier 06 is up and running.
New Final Clarifier (06)	• Walls and launder trough have been poured. • Passed leak test • Set scum lift station structure • Magney has started working on installing the new Mechanism • Tom Avant has started working on coating the concrete	• Complete the install of the new mechanism on site and pour grout over the floor. Continue work on coatings.
Digester Complex (07)	• Installed new thickened sludge pipe through the floor in the centrifuge room and out to the sludge holding tank. • Rerouted LSG line • Cored and stubbed pipe into sludge holding tank • Backfilled yard piping	• Continue work on thickened sludge line in the centrifuge room.
Solids Thickening and Loadout Building (08)	•	•
Splitter Structure (10)	• Base slab and walls poured. • Passed leak test • Coatings completed • Installed the slide gates	• Installing valves and piping towards

Structure	**Status of Construction**	**Upcoming Construction**
	• Installed grating over openings	
Existing 48 ft Clarifier (11)	• Installed bypass around 52-ft final clarifier	•

Sludge Return Metering Vault (12)	• Finished pouring all the concrete for this structure. Top slab poured 1/31/22 • Stripped forms • Passed Leak test. • Coatings have been completed (June 2022) • Grating has been installed over the openings	• Continue working on pipe leaving structure
Yard	• Yard piping from Clarifier 06 and going to/ around the splitter structure • Installed below-grade piping for 48-ft clarifier bypass to chlorine contact tank. • 52-ft Clarifier demolition mostly complete • Installed sludge pipe from Final Clarifier (06) to Sludge Return Metering Vault (12) • Installed 4” scum line past the splitter structure • Rerouted 6” Primary Sludge Pipe • Finished working on the 6” overflow drain • Installed sludge line for 48’ Clarifier • New Hydrant line has been installed up to the road.	• Piping leaving the splitter structure • Sludge pipe from Existing Final Clarifier (05) to Sludge Return Metering Vault (12) • Finish the relocation of 8” primary inflow • Finish installing new water line and hydrant

A.I. #7 NEW BUSINESS

None

A.I. #8 INFORMATIONAL ITEMS

The following informational items were then reviewed:

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. Seanger, seconded by Mr. Finken and unanimously carried that the meeting be adjourned at 5:25 p.m.

____

PATRICIA HAASE – CITY CLERK