

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, MAY 13, 2024 – 4:45 P.M.**

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, May 13, 2024, at 4:45 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members, Eric Seanger, Jeremy Kraemer, and Joe Finken, Interim Water/Wastewater Supervisor Jeremy Schrantz, Journey Lineworker Steve Scholz, City Administrator Colleen Winter, Finance Director Ryan Meyer, Community Development Director Sheila Hellermann, and City Clerk Patti Haase. Water/Wastewater Supervisor Tim Vogel was absent. Chair Seanger called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Kraemer 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 April 8 Regular Meeting, and the April 16, Special Meeting.
- b) List of bills in the amount of \$790,671.46
- c) Investments Report for the month of April.
- d) Utility uncollectible accounts in the amount of \$6,667.79 have been submitted to Revenue Recapture, collections, or written off. A complete list of accounts is on file at the City Office
- e) Magney Construction has submitted Pay App #30 for the 2021 WWTF Upgrades project. SEH has reviewed the application and recommends a revised payment of \$133,761.92 for the work completed from 2.2.2024 – 4.30.2024. This payment amount reduces the retainage from 1.5% to 0.5%.

A motion was made by Mr. Finken, seconded by Mr. Kraemer and unanimously carried approving the consent agenda items.

A.I. #4 REPORTS

- a. Journey Lineworker Steve Scholz provided an update. The Electric Department has finished tree trimming and tree removal. John Hoffman was contracted to remove 23 stumps. The department has changed the last overhead customer in Pickville to underground. The department has switched Leon Althaus from Stearns Electric to Melrose Public Utilities. They installed 4 new streetlights on Railroad Avenue. They also relocated a three-phase transformer at Stearns Electric. The department repaired a loose connection on a 2400 volt breaker in the power plant that showed up in the yearly infrared imaging.
- b. Water/Wastewater Supervisor Jeremy Schrantz provided an update. They have finished hauling biosolids, They have hauled 722,000 gallons. Crane Engineering will be out on May 29 to install the Von Chopper pump. The department has also been working with the contractor on the Main Street project. Andy Klaphake started employment on May 6. He has obtained his class C wastewater license.

- c. Finance Director Meyer presented the Utilities Fund Financial First Quarter Report for the Water, Wastewater, and Electric Departments

Significant Revenue Variances:

- Water sales between the revenue classes range from 19-25% of the annual budget. There were no water connection fees collected in the first quarter.
- Interest income was strong in the 1st quarter, exceeding the budgeted amount for the year. Finance Director Meyer 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.

Significant Expense Variances:

- The majority of audit fees for the 2023 audit were paid, which is the cause for professional service fees being slightly higher than projected for the quarter.
- Overall maintenance costs are low due to minimal work done during the first quarter on the wells or water tower maintenance.
- All other expense accounts appear to be consistent with budgeted expectations, as well as the prior year.

Significant Revenue Variances:

- All classes of services are right on track with budgeted projections for wastewater sales.
- Similar to the Water Fund, the Wastewater Fund experienced a strong 1st quarter for investment earnings and already exceeded the annual budget.

Significant Expense Variances:

- Overall maintenance costs are high due to the repair or replacement of several pumps in the collection system.
- Audit fees have been paid, and there have been minimal expenses for miscellaneous engineering fees which brings the budget variance for professional services slightly lower.
- Debt service payments are made in February and August of each year.

Significant Revenue Variances:

- As with the other funds, investment earnings were strong in the first quarter, with results coming within 75% of the annual budget.
- All classes of services are right on track with budgeted projections for electric sales, with the exception of CIP Reimbursement Revenue. Both Kwik Trip and St. Mary's School took advantage of this program with their recent projects.

Significant Expense Variances:

- Wages and benefits are slightly under budget relating to production and distribution due to wages being capitalized with the work orders.
- Maintenance costs remain low when compared to budget.
- All other expense accounts appear to be consistent with budgeted expectations, as well as the prior

- d. Community Development Director Sheila Hellermann reported on the following:
Staff attended the groundbreaking for Stearns Electric's new headquarters on Kraft Drive. We are working with them on transformer and fence locations along I-94 to allow for our access.
The Planning & Zoning Commission will be having a public hearing on Monday, May

20th for the conditional use permit request from Gerber Collision to expand its location. The Planning & Zoning Commission at its June meeting will be reviewing at least one preliminary plat for an expansion of Highlands. Related to the PUC, we discussed a couple months ago WAC and SAC incentives. At this time those are not part of the development agreement we are finalizing.

Staff is working with Carstens Industries on its building permit and site plan. We have a signed Purchase and Development Agreement for a phased move into the Melrose I-94 Industrial Park. We are re-platting the north side of the park and are working with the State of Minnesota to acquire the wide highway easement on the north side.

We have a signed letter of intent with Roach Development for the 25 residential lots in Railroad West. This will become a development with private roads, allowing us to take those two cul-de-sac roads out of the capital plan for 2025 and 2026.

Building permits for 2024 have a valuation over \$25 million – besides Stearns Electric, the larger permits have been for Blue Door Storage which is expanding, MKI Enterprise is working on storage sheds, Church of St. Mary's is building a storage shed. Land O Lakes had a large re-roof project, Jennie-O is building a new shed, and Stearns County HRA is doing some updating of its homes on Main Street. On the residential side, we have the usual residing and re-shingling, as well as several new sheds, egress windows and an inground swimming pool. Two new homes on the northwest side of the city are currently under construction.

The sidewalk project up by the high school should be wrapping up soon. They were working quickly when it was not raining. The Sauk River Park is open for the season and campers have started coming in. The Park Board is working on smaller additions for 2024 – the kayak launch, stripping the basketball court, putting some new grills in, fishing platforms, planting trees, and an information kiosk. The Lions playground build has been delayed twice due to rain but we are looking forward to that addition.

- e. City Administrator Winter reported that she attended the MRES annual meeting on May 8-9. One of the topics covered was cybersecurity. No utility, no matter how small is immune from cyber threats. MRES offers cybersecurity audits. MRES has developed its Cybersecurity Services program to help the members identify cybersecurity risks, determine costs, and establish steps to mitigate them. MRES continues its interest in community generation.

A.I. #5 ACTION ITEMS

- a. Since March of 2024 staff have interviewed 4 lineworkers for the 750-hour apprentice position. All were very good candidates, however none of them accepted as they were able to obtain 1,000-hour apprentice lineperson positions. In order to be competitive and still hope to get an Apprentice lineworker this year, Administrator Winter is requesting that the PUC consider hiring an Apprentice lineworker at 1,000 hours and re-advertising for the position. **Budget Impact:** The additional impact to the budget would be \$6,017.50. We currently have a surplus of \$27,090.00 in our wage budget for the electric department.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously authorizing the hiring of an Apprentice Lineworker – 1,000 hours and re-advertising for the position.

- b. Our lease for our postage meter & envelope stuffer ends in June 2024. We are currently using Quadient for our machine leases. We reached out to Quadient and they suggested, with the price of machine equipment cost going up, that we use their printing service for Utility Billing each month. We did some research on another

company called ABT MailCom, which was recommended by our accounting software. We suggest going with ABT MailCom to outsource our utility bills for printing, stuffing & mailing. We would be saving over \$800+ per month. We are also recommending leasing our postage machine through Dakota Mailing for \$50 per month. A copy of the breakout is enclosed for your review.

A motion was made by Mr. Finken, seconded by Mr. Kraemer and unanimously carried approving utilizing ABT MailCom to outsource out utility bills for printing, stuffing and mailing, and leasing our postage machine through Dakota Mailing.

- c. As part of the comprehensive security plan, we are on Phase 2 of the key fobs and cameras project. Phase 2 consists of Fire & Ambulance Hall, Public Works Building and Power Plant. We will continue to use Arvig as our provider. Phase 2 project cost is \$45,000 with an option for cameras in the Fire Hall Bay for \$5,150. This year's capital budget includes Water/Wastewater, but we are exploring options for their facility since it is quite large. A copy of the proposals is enclosed for your review. We are asking the Council/Commission for approval of Phase 2 for the Fire & Ambulance Hall, Public Works Building, and Power Plant, with the option of cameras in the Fire Hall Bay.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried approving Phase 2 of the key fobs and camera project for the Fire and Ambulance Hall, Public Works Building, and Power Plant, with the option of cameras in the Fire Hall Bay.

- d. We normally hire 1 Seasonal worker in the summertime to help with lawn mowing, weed trimming, cleaning, etc. We also have a Part time Maintenance Worker that helps all year long and typically puts in 36-40 hours per week in the summertime and works alongside our Seasonal employee. This year in addition to the Seasonal worker, we budgeted for a GIS intern that is split between the PUC and City. We interviewed for the GIS position last week and interviewed two very capable candidates. Our part time maintenance position will have reduced hours and I would like to propose that we hire both of the candidates that we interviewed last week for the GIS position. My thought is that we would cross train them both for GIS and Streets/Parks and along with the already hired Seasonal worker, and some limited help from the part time maintenance position, we would be able to keep up on the summer lawn mowing, parks cleaning, GIS, etc. They could also help out in the electric department and WW/W as needed. They would report directly to Andrew in the Street/Parks Dept.

Recommend the hiring of Riley Elfering at a starting wage of \$15.34/hr. Mr. Elfering would begin June 10th.

A motion was made by Mr. Finken seconded by Mr. Kraemer and unanimously carried approving the hiring of Mr. Elfering at a starting wage of \$15.34/hr.

- e. Recommend the hiring of Eddie Wenker at a starting wage of \$15.34/hr. Mr. Wenker would begin on June 10th.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried approving the hiring of Mr. Wenker at a starting wage of \$15.34/hr.

A.I. #6 OLD BUSINESS

a. Water/Wastewater Treatment Facility Update from SEH.

STATUS OF CONSTRUCTION: IN PROGRESS – PUNCH LIST.

Structure	Status of Construction	Upcoming Construction
Preliminary Treatment Building (02)	• Water heater installed for screen cleaning • 1/18/2024: Nord confirmed that the backstop on the south screw pump was installed backwards during Nord's last visit on 1/9/24. – The gear oil was drained, the backstop cover and backstop was removed, gasket sealant cleaned, and a full oil change performed.	• Vent pipe • Continue to monitor south screw pump
	– Nord performed an assessment of the backstop and a bore scope. There were no signs of corrosion or wear marks. – The same backstop was re-installed. – Nord believes the first backstop failed and allowed water to enter and then the new one was installed backwards. Nord to provide a report. – 3/13/24 Lakeside came to site and drained oil and replaced it on the south pump. Sampled oil and mailed to Nord. Installed new moisture-detecting breather on gearbox. – 3/21/24 Nord on site. Drained oil on south pump and replaced. Backstop was corroded. Replaced with new backstop. • Lakeside to be on site 4/10 and performed full oil change out of the recommended front port. • JWC was on site 2/6 - 2/7, to correct the following:	
	– Install a new spray nozzle for Screen #1	

Structure	Status of Construction	Upcoming Construction
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	• Install and calibrate a new pneumatic solenoid for Screen #6 • Install a new gasket for the union in Screen #4 • Perform staff training • JWC was on site 4/2/24, to replace the air cylinder on screen #6	
Control Building (03)	• Installed 4" flow meter on WAS line • WAS pump 2 start-up & training April 15, 2024 by Magney and Vogelsang	• Check coatings for punch list
Pump and Blower Building (04)	• RAS piping in basement complete, including flowmeter installation. • RAS yard piping from 12 to basement tie in complete	• No additional Work
Existing Final Clarifier (05)	• Installed new inlet piping to convert from peripheral to center-feed • Installed new equipment • Placed aluminum dome • Clarifier start-up 6/6/2023	• Punch list -coatings
New Final Clarifier (06)	• Clarifier live as of 2/28/23	• Punch list - coatings
Digester Complex (07)	• West digester pipe upsized	• No additional Work
Solids Thickening and Loadout Building (08)	• Exterior stair installation	• No additional Work
Splitter Structure (10)	• Structure live as of 2/28/23	• No additional Work
Existing 48 ft Clarifier (11)	• Sludge tie-in to route sludge to new Structure 12 complete 2/27/23	• No additional Work
Sludge Return Metering Vault (12)	• Structure live as of 2/27/2023	• No additional Work
Yard	• Asphalt corrected.	• No additional Work

A.I. #7 NEW BUSINESS

- a. The City's Auditor, Justin Nilson from Abdo, Eick & Meyers, presented a review of the City's 2023 Audit Report at the Council's April 18, 2024, meeting. A recorded message was viewed at the Commission meeting.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried accepting the 2023 Audit Report as presented.

- b. Just a reminder that there is a joint meeting with the Council **on May 15th starting at 5 pm** to discuss the compensation and classification study. A question was raised as to what is considered proprietary information. In speaking with the City Attorney the following is considered public information related to the Comp and Class study:

Job Title salary and benefits is subject to MN Statute 1302 public data. Which means that for the employees of the City of Melrose, anyone can request that information

through the proper request form and would be allowed to have it. That however is different than the data that was collected by DDA. They are a third-party vendor and can provide detailed information to the client – PUC and Council members but ONLY summary information to the general public under the Sherman antitrust act. If individuals outside of the third party wanted to obtain that information, they would need to fill out an appropriate data request from the city they are seeking to get that information.

Analysis of the job evaluation and classification system based on position descriptions is done through the JET system (a proprietary system developed by DDA) and can only be shared with the Council and PUC and the City Administrator and HR team (Finance Director and HR).

- c. At the regular April 8th PUC meeting a discussion was held regarding the purchase of real property from the Sonnen Family Partnership. Per the direction of the PUC, city staff has been working with the Sonnen Partnership and MN Rural Water Association to determine what grant funds exist for conservation efforts in the Wellhead protection area. Representatives from the Board of Water and Soil Resources along with MN Rural Water and Administrator Winter met and discussed the various programs available for putting land into conversation. They are as follows:

Here are the three options the Trust can consider;

- a. Fee Acquisition: BWSR pays 100% of the value of the land and a governmental authority (city, township, watershed district etc...) owns and manages the land in a groundwater friendly land use. Based on a third party appraisal. Quick appraisal is sufficient.
- b. Conservation Perpetual Easement: 100% of the ReInvest In Minnesota Easement Program value for cropland and 60% of the noncropland value for the township or the same percentages of a quick appraisal. I can look these township values up if you want. The owner still retains ownership and the land must be placed into native grasses/wildlife cover.
- c. Long-term contract (30 year contract): 90% of the appraised value of the land and for 30 years land must be maintained in a groundwater friendly practice. It can be farmed with an approved crop rotation that includes perennial crops (hay, pasture etc...). Does allow for some row crops however no fertilizer can be applied must utilize the credits from the perennial crops (alfalfa etc...). Management plan developed and approved by Stearns Co. SWCD.

All of these require a 10% match from the city, which can be an in kind match. All projects must include greater than 50% of the land within the highly vulnerable area of the wellhead protection area. The original offer from the Sonnen Partnership was just short of the 10 acres, and in conversations with Gary Meyer (Trust rep) he indicated that the partnership would be ok with selling the City the additional 10 acres needed to qualify for any of the grant programs.

Next steps:

1. Does the City/PUC want to explore purchasing property from the Sonnen Partnership?
2. Is there a minimum number of acres we need to look at purchasing?
3. What types of activities do we want to see on land if acquired?

Purchase or sale of real or personal property Minn. Stat. § 13D.05, subd. 3 (c). A public body may close a meeting to determine the asking price for real or personal property to be sold by the public body. • Review confidential or protected nonpublic appraisal data. • Develop or consider offers or counteroffers for the purchase or sale

of real or personal property. Before holding a closed meeting under this exception, the public body must identify on the record the particular real or personal property that is the subject of the closed session. The closed meeting must be recorded. The recording must be preserved for eight years and must be made available to the public only after all real or personal property discussed at the meeting has been purchased or sold, or after the public body has abandoned the purchase or sale. The real or personal property that is being discussed must be identified on the recording. A list of members and all other persons present at the closed meeting must be made available to the public after the closed meeting. The actual purchase or sale of the real or personal property must be approved at an open meeting, and the purchase or sale price is public data.

Administrator Winter would like to move forward with a purchase agreement subject to grant funding.

The meeting remained open. City Administrator reviewed the land purchase options and proposed cost. Commission Member Eric Seanger stated that he does not favor government entities owning property without an intended purpose. Commission Member Kraemer concurred. The Commission Members also had concerns regarding the development restrictions that have been placed on the property.

The Commission determined to table action at this time.

A.I. #8 INFORMATIONAL ITEMS

The following informational items were then reviewed:

- a. Summary of RECs transferred for 2023.

A.I. #9 ADJOURNMENT

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried that the meeting be adjourned at 5:30 p.m.


PATRICIA HAASE – CITY CLERK