MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, MAY 9, 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. Pay App #12 Magney Construction

   Presentation

4. Reports
   a. Electrical Supervisor Report
   b. Water/Wastewater Supervisor Report
   c. Utilities Fund First Quarter Financial Report
   d. City Administrator Report

5. Action Items
   a. SCADA System Upgrade
   b. Utility Easement Vacation Lot 1 and 2 Block 2 Daylight Court
   c. GIS Receiver
   d. 2022-2023 LMCIT Property/Liability Insurance Quote

6. Old Business
   a. Water/Wastewater Treatment Facility Plan Update

7. New Business
   a. 500 Building Recirculation Pumps

8. Informational Items

9. Adjournment

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, May 9, 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. Finken, seconded by Mr. Seanger 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 11 Regular, and the April 26, Special Meeting
b) List of bills in the amount of $1,728,150.52 (See attached list)
c) Investments Report for the month of April. (See attached list)
d) Magney Construction has submitted Pay App #12 in the amount of $589,541.90 for the work completed through 4/30/2022. SEH has reviewed the Payment Request and is recommending payment as outlined in the invoice.

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

PRESENTATION

Electrical Supervisor Avelsgard presented the 2022 Certificate of Excellence in Reliability

A.I. #4 REPORTS

a. Electrical Supervisor Avelsgard provided an update. Underground projects have started. Anderson Underground will start underground boring. There were a couple of outages on Sunday, May 8, 2022, due to the high winds. Service was restored in a short period of time.

b. Water/Wastewater Supervisor Vogel provided an update. The fire hydrants have been flushed. They have started to haul sludge. The Melrose Public Utilities received notification from the EPA for failure to submit the Risk and Resilience Assessment Report by the required deadline. Water/Wastewater Supervisor Vogel has completed and submitted the report.

c. Finance Director Beuning presented the Utilities Fund Financial First Quarter Report for the Water, Wastewater, and Electric Departments. **Water:** Water sales between the revenue classes range from 20-25% of the annual budget. Water connection fees are at 71%. Interest income is reflected as a negative during the first quarter due to changes in market value adjustments .Rental agreements are also a source of miscellaneous revenue. There are a number of rental 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. Overall maintenance costs are low due to minimal work done during the first quarter on the wells or water tower maintenance. Chemical supplies are a significant operating expense and are running 29% of the budget which is reasonable. However, compared to this same period of the prior year, the costs are up approx. 45% for the period. School and training costs are at 76% of budget. Staff attended the MN Rural Water training. All classes of services are right on track with budgeted projections for wastewater sales.

Wastewater: Similar to the Water Fund, the Wastewater Fund experienced a significant loss on investment earnings for the first quarter. Residential/commercial sewer sales have increased almost 10% from this time last year. Industrial sewer charges are up about 4%. Included in the miscellaneous revenue is $282,580 in grant proceeds received from the State of MN for reimbursement on the WWTF project. The Utility has now utilized all of the state bonding dollars, as well as the Green Project Reserve fund dollars, and has started to draw on the PFA loan. The Wastewater Fund purchased a New Holland tractor in January for $209,000. The old tractor was traded in during this purchase and we recognized $30,000 on the sale of that asset. Wages and benefits were down slightly from the prior year due to a retirement of a long-term employee resulting in a lower step scale paid to the new employee, as well as lower health insurance costs. The majority of the audit fees for the 2021 audit were paid, which is the cause for professional service fees being slightly higher than projected for the quarter. Equipment maintenance costs are at about 39% of the budget. This is due to SCADA repairs, a booster pump, and an ejector. Safety equipment/tools/clothing costs have exceeded the budget by approx. $1,100 due to the purchase of a locator.

Electric: The investment loss had the largest impact on the Electric Fund of the utility funds, resulting in a first quarter loss of $75,530. Residential electric sales are slightly higher than budgeted, at 32% of the annual budget. The revenues increased 14% from the prior year. All other revenue classes appear as expected. Revenues from penalties was abnormally high due to a large penalty charged on an industrial account that was reversed in the subsequent month/quarter. 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. Wages are slightly under budget due to the capitalization of the wages and benefits paid associated with work orders. The majority of audit expenses were paid for the year, which brought the professional service costs higher than the budget trend. Overall maintenance costs are as expected. Power plant and grounds/equipment maintenance costs are slightly higher than projected due to lights and wiring at the PW building, engineering for a power plant crane, and the final payment on the new holiday decor for the streetlights. School and training costs are at slightly higher than budget resulting from the APPA training attended by Supervisor Avelsgard. The school kits ordered through MRES have been reclassified this year to the marketing expense rather than the school and travel line item as the prior years. Due to this, marketing is now higher than budgeted. The future year budgets will better reflect this change. The lightbulb purchase for our energy conservation program were purchased in 2nd quarter this year compared to the first quarter the prior year.

d. Administrator Winter provided an update on the RDB project. Staff is also working on the campground. MADA will be meeting on Thursday, May 12 and will be receiving a presentation from Natures Energy.

A.I. #5 ACTION ITEMS

a. Electrical Supervisor Avelsgard has received a quote for a new SCADA system upgrade and equipment. This project was not included in the 2023 Capital Improvement Plan. Mr. Avelsgard is requesting authorization to purchase the equipment for the SCADA system upgrade, as he has been notified there will be a 10% increase beginning July 1, 2022. Mr. Avelsgard is also requesting the new SCADA system be added to the 2023 CIP and authorization for DGR to complete Task #6. The majority of the work will be completed in the first quarter of 2023.

   A motion was made by Mr. Finken, seconded by Mr. Seanger and unanimously carried approving the addition of the new SCADA System to the 2023 CIP.

   A motion was then made by Mr. Seanger, seconded by Mr. Finken and unanimously carried authorizing DGR to complete Task #6 SCADA System Update.

   A motion was then made by Mr. Finken, seconded by Mr. Seanger and unanimously carried approving the purchase of the SCADA equipment in 2022.

b. Matthew and Heather Hendrickson purchased two lots in Daylight Court which have been combined into one parcel. This property is located in the City of Melrose, Stearns County, Minnesota, legally described as Lots 1 and 2, Block 2, Daylight Court. The new parcel number is 66.36668.0033 located at 585 11th Ave. NE, Melrose, MN 56352. They are requesting an easement vacation for the six-foot easements on each side of the shared property lines. Easements will be retained along the perimeter of the lot. The City Council will hold a public hearing on the vacation of the easement at its May 19, 2022, meeting.

   A motion was made by Mr. Seanger, seconded by Mr. Finken and unanimously carried recommending Council approval of the six-foot easement on each side of the shared property lines.

c. Electrical Supervisor Avelsgard has obtained a quote to replace the GIS receiver in the amount of $13,552.86. The cost will be shared between the general fund, electric, and water and wastewater fund.

   A motion was made by Mr. Finken, seconded by Mr. Seanger and unanimously carried approving the purchase of the GIS receiver in the amount of $13,552,86 to be cost shared between the general fund, electric, and water and wastewater fund.

d. The City received their annual quote for general liability, errors and omissions, auto, equipment, and property insurance through the League of Minnesota Cities Insurance Trust (LMCIT) for the period of May 15, 2022 - May 15, 2023. The total quote is $125,215 from $98,823 for the 2021-2023 coverage. The cost for the premium is shared between the General at 35% and Utility Funds at 65%.

   The overall premium is up 26.71% from the prior year. According to the League underwriters, this is due to:

   A. Property coverage increased 50.07% due to the following:
      a. Inflation
      b. Rate changes: I have reviewed the League's memo regarding rate

changes, and for 2022, the LMC has restructured the property rates for specify building types to align with the risk that certain building types present. On average property rates will decrease 7%, however Melrose saw an increase in this premium of 50%. The building types with the largest rate increases include general civic buildings like city halls, fire stations, community centers, police stations, and water, sewer and electric property. Our policy's properties are primarily considered these types of buildings resulting in the very significant increase.

c. A transition factor was applied to this premium which limited the property premium increase to 99.7% of what the actual charge would have been due to the rate changes. This 0.997 transition factor only applies to this renewal to help soften the blow of the increase.

B. The mobile property premium is up 36.74% as this is tied to the manual premium for property.

C. Auto liability is up 8.77% and auto physical damage is up 11.20% due to:
   a. Additions of property.
   b. Rate changes that apply to certain types of auto classifications.

D. Our liability experience mod had an increase of 0.33% from last year.

E. The auto experience mod had a 5% increase from last year.

The City's insurance coverage has a $5,000 deductible, $15,000 aggregate. The City needs to decide whether or not to waive the statutory tort liability limits. The decision to waive or not to waive the statutory limits has the following effects:

1. If the City does not waive the statutory limits, an individual claimant would be able to recover no more than $500,000 on any claim to which the statutory limits apply. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would be limited to $1,500,000. These statutory tort limits would apply regardless of whether or not the City purchases the optional excess liability coverage.
2. If the City waives the statutory tort limits and does not purchase excess liability coverage, a single claimant could potentially recover up to $2,000,000 on a single occurrence. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to $2,000,000 regardless of the number of claimants.
3. If the City waives the statutory tort limits and purchases excess liability coverage ($1 million for $11,599), a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants. In the past the City has not purchased the excess liability coverage.

In the past, the city has chosen Option 2.

A motion was made by Mr. Seanger, seconded by Mr. Finken and unanimously carried approving the insurance quote of $125,215 to waive the monetary limits on municipal tort liability, to keep the deductible at $5,000/$15,000, and not purchase excess liability coverage.

A.I. #6 OLD BUSINESS

a. Water/Wastewater Treatment Facility Update from SEH

Structure	Status of Construction	Upcoming Construction
Preliminary Treatment Building (02)	• Screw pump base slab complete • Magney has been setting rebar and forms on the east/west screw pump walls. They are planning to pour these walls in 3 vertical tiers. Magney is working on the second tier and have the east portion of tier 2 complete. • Magney also working on footings for the south portion of the building	• Magney forming, placing rebar, and pouring concrete on the remaining 2nd and 3rd tier of the screw pump walls. • Once screw pump walls are complete, will proceed to pouring sloped screw pump raised base facing west. • Complete footings and foundation walls for the screening room portion of the building
Control Building (03)	• Removed old recirculation pump, and pump base	• Install WAS pumps in May
Pump and Blower Building (04)		
Existing Final Clarifier (05)		• Sludge piping
New Final Clarifier (06)	• Walls and launder trough have been poured. • Passed leak test • Set scum lift station structure	• New mechanism arriving on site soon for installation. • Coatings
Digester Complex (07)	• Installed new thickened sludge pipe through the floor and out to the sludge holding tank, have not cored hole into tank yet. Waiting for sludge haul-out to be complete. • Rerouted LSG line	• Continue work on thickened sludge line in the building. • Core into sludge holding tank
Solids Thickening and Loadout Building (08)		
Splitter Structure (10)	• Base slab and walls poured. • Passed leak test	• Installing valves and piping to towards the final clarifiers (spring) • Coatings
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
Yard	• Working on yard piping coming out of 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	• Work on piping leaving the splitter structure • Sludge pipe from Existing Final Clarifier (05) to Sludge Return Metering Vault (12)

A.I. #7 NEW BUSINESS

a. There are two recirculation pumps in the 500 building that require seal replacement. The pumps were installed in 1967. Water/Wastewater Supervisor Vogel would like to discuss replacing the seals versus purchasing new pumps. Supervisor Vogel has obtained pricing for seal replacement. The cost would be approximately $16,581 for each pump Supervisor Vogel also obtained one quote for the cost of a new pump. That cost came in at approximately $66,967.

The Public Utilities Commission by consensus directed staff to obtain additional quotes.

A.I. #8 INFORMATIONAL ITEMS

None

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.

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PATRICIA HAASE – CITY CLERK