

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, AUGUST 11, 2025 – 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 11, 2025, at 4:45 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Jeremy Kraemer, and Joe Finken, Water/Wastewater Supervisor Jeremy Schrantz, Electric Line Supervisor Justin Henrichs, and City Administrator Colleen Winter, and Finance Director Jackie Niehaus. Commission Member Eric Seanger was absent. Also in attendance via Teams was Evan Leebens with MRES. Chair Jeremy Kraemer called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Finken seconded by Mr. Kraemer 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 14, 2025, Regular
- b) List of bills in the amount of \$ 1,285,814.05
- c) Investments Report for the month of July.

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

A.I. #4 ACTION ITEMS

- a. Evan Leebens with MRES presented the electric rate study.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried approving the electric rate study.

- b. Staff has obtained quotes for a flatbed trailer. The low bid was from Midsota Trailer Sales and Services in the amount of \$13,250. The cost will be shared 60/40 with the Streets and Parks Department (60%utility/40%general)

A motion was made by Mr. Finken, seconded by Mr. Kraemer and unanimously carried approving the purchase of the flatbed trailer from Midsota Trailer with a 60%/40% cost share(60%utility/40%general).

A.I. #5 REPORTS

- a. City Administrator Colleen Winter provided the following update.

Report:

Workforce – As of today I am happy to report that all City and Utility Departments are operating at or near full staff. Some of the new hires include:

Justin Henrichs – Electric Supervisor

Seth Ryan – Line Worker

Matt Host – Police Officer

A new AFSCME union has formed – Street Dept and some Admin staff and we will be meeting with them to begin negotiations at the end of August.

Budgets – We are working on the budgets for 2026. As part of that discussion we also look at rates, fee schedules, wages, health insurance and capital improvements over 5 years. We will be hosting a workshop with the City Council on August 21, 2025 at 4:30 to discuss General fund budgets which include the following:

- Streets/Parks Departments
- Police Department
- Administration
- Special Revenue Funds

We will be meeting with the Public Utilities Commission at the regular meeting on Sept 8th to discuss the following budgets:

- Electric
- Water
- Wastewater

Anticipated Rate Changes – User rates include water, sewer and electric

We are projecting an increase of 4% in electric rates

We are projecting an increase of 4 - 5% in wastewater rates

We are projecting no increase in water rates

b. Electric Line Supervisor Justin Henrichs provided the following update

Current Active Projects

- Proliant is ready for wire and termination
- UND rebuild to wastewater ready to be terminated
- Todd Beckers is ready for cutover
- 4th Street ready for cutover

Completed Projects

- 1st Street South by bowling alley is completed
- Bob Hiskei transformer change out
- Land O Lakes hot elbows/3 points/modules and meter replacements

General Info

- Many outages due to lightning this year
- Equipment failure due to porcelain breaking down and causing outages
- Obtained bids on trailer
- Obtained bids on steel for interior of power plant
- Started looking into option for more generation
- Obtained bids on hydraulic land leveler

c. Water/Wastewater Supervisor Jeremy Schrantz provided the following update

Well 9 Issue

- Pumping sand resulting in CL2 booster pump failing
- Their Well pulled the pump and found 2 section of well casing that had a hole in it
- The pump was brought back to the shop for inspection. The pump was

reinstalled, and we plan to do a rehab in 2026 that includes a new pump.

- There was a water leak at 111 3rd St SW
- The leak was on our side of the curb stop so we abandoned the lead gooseneck in the street and wet tapped a new service line. Homeowner replaced his galvanized line from the curb stop to his home

Fobbe Contracting repaired the hydrant that was clipped on 11th

Wastewater

- Austin Incorporated delivered a shale bin to assist with cleaning out the snails from the aeration basin. The plan is after the snails are dried we will transfer the snails from the shale bin to the roll offs and then they can be hauled away to a local land fill.
- Staff is rebuilding the sludge load out pump. They discovered more issues as they got into the pump. Parts are on order.
- Finished the Priority Pollutant Monitoring report. Next monitoring report is EFF toxicity also know as fathead minnow test scheduled for the end of August.

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

Water Funds

Significant Revenue Variances:

- ❖ Water sales between the revenue classes range from 48-50% of the annual budget.
- ❖ Interest income was strong in the second quarter, totalling 99% of this budgeted revenue. Finance Director Niehaus 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 and Charter made their annual payments in the first quarter holding these revenues to 76% of the annual budget

Significant Expense Variances:

- ❖ Overall production costs are high due to well pump replacement and higher maintenance costs.
- ❖ All other expense accounts appear to be consistent with budgeted expectations and remain relatively unchanged from the prior year.

Wastewater Funds

Significant Revenue Variances:

- ❖ Reimbursements for sewer testing fees have reached 85% of the budgeted amount
- ❖ Similar to the Water Fund, the Wastewater Fund experienced a strong 2nd quarter for investment earnings and already exceeds the annual budget.

Significant Expense Variances

- ❖ Overall expenditures are right on target with the budget for 2nd quarter.

- ❖ Debt service payments are made in February and August of each year.

Electric Funds

Significant Revenue Variances:

- ❖ As with the other funds, investment earnings were strong in the second quarter, with results coming within 161% of the annual budget.
- ❖ No revenue has been received from other financing sources year to date
- ❖ All classes of services are right on track with budgeted projections for electric sales.

Significant Expense Variances:

- ❖ Wages and benefits and maintenance costs remain within the projected budget.
- ❖ The delayed receipt of MRES invoices resulted in higher purchased power costs recorded in the second quarter, leading to a net loss for the period.

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)	• JWC screw conveyor auger shaft replacement segments for both north and south auger arrived on site in January 2025. • JWC was on site 1/28-1/31 2025 to install the auger shafts. The south gear box and shaft were fused together, rendering the south auger inoperable. The new shaft segment was installed and is ready for gear box installation. • JWC was on site 2/12-2/14 to install the new gear box on the south auger. • No work is to be performed on the north auger at this time because it must remain functional for the City's operations. • Freeport fixed the conduit at the south auger. • Water conditioning system has been installed • JWC installed the newly manufactured auger shafts, the gearbox, the fan cover, and shaft seal on the south screw conveyor augers (6/3/25). The new shafts are manufactured with a bias on the small end of the tolerance. • SEH is preparing a draft letter for City review and delivery to Magney addressing payment for SEH time associated with unproductive site observation of JWC.	• Replace north end gearbox and shaft seal with new parts under warranty. • Obtain spare parts from JWC.
Control Building (03)	• WAS pump 2 start-up & training April 15, 2024 by Magney and Vogelsang • Call with Vogelsang & Magney to discuss corrosion 6/25/2025.	• City sent a copy of sludge sample to test against Vogelsang elastomers. Vogelsang determined the pump elastomers are compatible with the Melrose sludge. Vogelsang is recommending tungsten carbide wear plates and housing segments in these pumps. We will schedule a meeting to discuss.

Structure	Status of Construction	Upcoming Construction
Pump and Blower Building (04)		No additional Work
Existing Final Clarifier (05)	- Clarifier start-up 6/6/2023 - Input shaft and bushings replaced by Envirodyne 4/25/2025. Metallic shear pin replaced with delrin (plastic) shear pin, ten (10) spares left with Jeremy. Confirmed torque switches function. - Magney grouted effluent launder this morning. New high point is 1187.10 (low point is 1186.66). - Coating clarifier launder completed 6/5/2025.	None.
New Final Clarifier (06)	- Clarifier live as of 2/28/23 - Input shaft and bushings replaced by Envirodyne 4/25/2025. Metallic shear pin replaced with delrin (plastic) shear pin, ten (10) spares left with Jeremy. Confirmed torque switches function.	Gear box is not running smoothly. Envirodyne is sending someone out to inspect as of 8/2/25.
Digester Complex (07)		No additional Work
Solids Thickening and Loadout Building (08)		No additional Work
Splitter Structure (10)	Structure live as of 2/28/23	No additional Work
Existing 48 ft Clarifier (11)		No additional Work.
Sludge Return Metering Vault (12)	Structure live as of 2/27/2023	No additional Work
Yard	SEH provided survey elevations of paving/v-gutter to Magney.	- Paving correction. - Influent bypass and PTB drain installation

b. Well #7 Replacement Project Update from SEH.

PROGRESS UPDATE

Delivered draft bidding documents for Contract A (Well 10 Construction and Well 7 Abandonment).

PROGRESS OUTLOOK

- Contract A – Well 10 Construction will be finalized and submitted to the Minnesota Department of Health for plan review and advertised for bidding in August 2025 upon approval from PUC.
- SEH proposes to open bids for Contract A on September 2, 2025 at 2:00 p.m. via Microsoft Teams, allowing for the potential of awarding the low bid at the September PUC meeting.
- Contract B - Well 10 Raw Water Main, Electrical, and Pump House Improvements will be finalized and submitted to MDH for plan review upon approval from PUC. SEH recommends waiting to advertise for bidding, since this work won't begin until after the sonic (test) hole for Contract A is

constructed later this fall.

SPECIAL INSTRUCTION/ASSISTANCE FROM CITY

- SEH requests authorization from the Utility Commission to advertise Contract A: Well 10 Construction and Well 7 Abandonment for bidding.
- City staff is assisting SEH with collecting static water levels from the two (2) monitoring wells on the Well 7/10 site.

A motion was made by Mr. Kraemer, seconded by Mr. Finken and unanimously carried authorizing SEH to obtain bids for Contract A the well drilling and abandonment portion of the project

c. Blower Building Rehabilitation Project update from SEH.

PROGRESS UPDATE

- Progress on drawings and specifications has slowed due to extra time on equipment selection. SEH worked with Jeremy to right-size the blower selection. Although we had originally discussed specifying 125 hp blowers to be installed, Jeremy had concerns with blower operation at times of lower loading, such as weekend operation. Jeremy requested that we consider blowers with a lower turndown so that the dissolved oxygen levels in the aeration basins wouldn't be too high. Ultimately, we agreed that we would specify 60 hp blowers to be installed using a phased approach. Note that these blowers will not be adequately sized to meet peak loading conditions but we will have room in the building to install a larger blower in the future if it is needed.

PROGRESS OUTLOOK

- Now that equipment selection is complete, the process team will finalize piping layouts. The equipment selection will inform other discipline's designs as well and will allow them to move forward more quickly. We anticipate Final Layout Drawings will be complete by mid to late August, 2025, after which we will schedule a meeting with City staff to discuss. We'll use notes from that meeting to develop the construction drawings and specifications.
- The design team will meet every two weeks to discuss progress and keep the team on schedule.

d. At last month's regular meeting we discussed the hiring of an additional wastewater operator. The Commission reviewed the following information

Job Descriptions – both the Water/Wastewater Operator position and Maintenance position. It should be noted that the Maintenance job description has not been updated since 2009.

Wage scales – Both positions. If we were to hire an Operator the impact to the overall budget would be approximately \$124,000/yr. with wages and benefits. The Maintenance worker would be approximately \$102,500/yr. , so about a \$22,000 difference. The concern is that the Maintenance worker is essentially doing the same duties as the Operators but getting paid less. It would be better to hire another operator with the appropriate licensing. The overall reasons for needing an additional employee in water/wastewater includes the following:

Safety – Safety best practices should be complied with at all times. For certain jobs – cleaning of the tanks, anytime an operator is in a confined space it is critical to have a minimum of two people dealing with that job task.

Class A major mechanical wastewater treatment plant – is the highest operational category for treatment facilities under MPCA rules. The only other facilities that are similar to ours are Hutchinson and St Peter and several regional plants in the Twin Cities.

St. Peter has five operators and a Supervisor and process 1.2 million gallons per day. They do not have an in house lab.

Hutchinson has a Supervisor and five operators and process 3.67 million gallons per day. They have some in-house lab operations but also contract out lab services.

Increased regulations, testing and reporting – In the last five years, the MPCA and MDH have required increased testing and monthly reporting and additional planning.

Growth in the community – City has grown over the past three years and there are consistently capital projects that need to be completed

Maintenance – The plant has many deferred maintenance projects that have not been done on a regular basis and with an additional person this could happen regularly.

SIU's – We have three SIU's in the community and we should be meeting with them regularly.

The Commission by consensus tabled this item until the next regular meeting.

- d. At the July 14 Public Utilities Commission meeting, Supervisor Henrichs provided a video of the ceiling tiles that are hazardously falling at the power plant. Pillar Construction, the company currently working on the fire repair construction at the powerplant provided a quote for the installation of liner panels over the existing acoustic tiles. At the direction of the Commission Mr. Henrichs obtained quotes from local businesses. The low bid is Kraemer Lumber in the amount of \$18,351.17 however they did not provide a list of materials. Electric Line Supervisor Justin Henrichs will verify that the quotes are for the same material and labor.

A motion was made by Mr. Finken, seconded by Mr. Kraemer and unanimously carried approving the low bid from Kraemer Lumber in the amount of \$18,351.17 providing that the materials and labor are equal to the other quotes, if not the bid is to be awarded to Worms Lumber.

A.I. #7 NEW BUSINESS

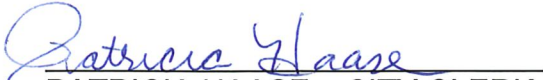
- a. **MN paid family leave and 2026 Healthcare Insurance** – Admin staff met with Nesbitt Agency our insurance broker to discuss MN paid family leave and health insurance. The MN paid family leave officially launches on January 1, 2026. The program is funded by a payroll premium of 0.88%. We are highly recommending that the premium be split 50% between the City and employees.
- Health Insurance – We are expecting a 14% increase in health insurance. Current language in both the LELs and AFSCME contracts state that if the insurance increase is larger than 9% we would reopen health insurance discussions with the unions. We are seeking input from the PUC as to what they would like to see the employer pay for health insurance vs. the employee. Currently for both single and family coverage the Employer pays it all. Staff is hoping to have additional information before the September budget meeting.

A.I. #8 INFORMATIONAL ITEMS

None

A.I. #9 ADJOURNMENT

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


PATRICIA HAASE – CITY CLERK