

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
MARCH 27, 2017

The Municipal Utilities Commission met in its regular meeting on Monday, March 27, 2017 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Abdirizak Mahboub, Nathan Weber and Bruce DeBlieck. Absent were Commissioners Carol Laumer, Dan Holtz and Ross Magnuson.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Customer Service Supervisor Stacy Stien, Water/Heating Supervisor Joel Braegelman, Electrical Engineer Jeron Smith, Administrative Secretary Beth Mattheisen, Project Assistant Kim Wesbur, IT Manager Mike Sangren, City Councilmember Shawn Mueske, City Attorney Robert Scott (via teleconference), and CPA Darrin Ogdahl of Conway, Dueth & Schmiesing, PLLP.

Due to the absence of President Laumer, Commissioner Mattern (Vice President) opened the meeting by requesting the Commission to offer a resolution to approve the Consent Agenda. Commissioner Weber requested the Commission to remove agenda item 6.a. (General Manager's wage adjustment) from the scheduled agenda until additional Commissioners were present (April 10th meeting). Following further review and discussion, Commissioner Weber offered a resolution to approve the Consent Agenda with the postponement of item 6.a. Commissioner Mahboub seconded.

RESOLUTION NO. 7

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the Consent Agenda be approved as amended which includes:

- ❖ Minutes from the March 13, 2017 Commission meeting; and,
- ❖ Bills represented by vouchers No. 170458 to No. 170535 and associated wire transfers inclusive in the amount of \$2,046,103.44.

Dated this 27th day of March, 2017.

Vice President

Attest:

Secretary

The foregoing resolution was adopted by a vote of four ayes and zero nays.

Commissioner Mattern introduced CPA Darrin Ogdahl from the accounting firm of Conway, Deuth & Schmiesing, PLLP. He was in attendance to present the Commission with a report summarizing the 2016 Financial Statements & Accountants' Report for the Willmar Municipal Utilities. Mr. Ogdahl informed the Commission that following a thorough review of the financial statements and reporting records of the Willmar Municipal Utilities, it was determined that the WMU was in total

compliance with the provisions of laws, regulations, contracts, and agreements. Mr. Ogdahl further expressed his appreciation to Director of Finance Runge and Staff for the competent accounting practices being demonstrated and the leadership being provided. Following discussion, Commissioner Mahboub offered a motion to accept the 2016 Financial Statements & Accountants' Report as presented. Commissioner Weber seconded the motion which carried by a vote of four ayes and zero nays.

Following the completion of the 2016 Financial Audit (CDS), Director of Finance Runge presented the Commission with the WMU Fund/Account Allocations for 2017 (03.01.17). Runge was proposing that the Commission approve the March 1, 2017 fund balances incorporating the following revisions: 1) increase the Expansion Reserve Fund by \$500,000; and, 2) increase the Transmission Construction Fund by \$500,000. Following discussion, Commissioner DeBlick offered a resolution to approve the fund balances as presented. Commissioner Mahboub seconded.

RESOLUTION NO. 8

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the 2017 WMU Fund/Account Allocations (March 1, 2017) be approved as presented.

FUND/ACCOUNT	3/1/2017	12/31/2016
Funds Required by Bond Covenants:		
1a. Operating Reserve	\$2,400,000	\$2,400,000
2a. Parity revenue bond sinking fund	\$ 421,757	\$ 421,757
2b. Subordinate GO bond sinking fund	\$	\$ 146,376
3. Bond and interest reserve account	\$ 887,481	\$ 887,481
4. Utilities improvement & replacement fund	\$1,700,000	\$1,700,000
Funds designated by Municipal Utilities Commission:		
1b. Unallocated operating reserve	\$4,765,666	\$5,619,290
5. Customer deposit fund	\$ 275,000	\$ 275,000
6. Expansion reserve fund	\$1,050,000	\$ 550,000
7. Catastrophic reserve fund	\$2,000,000	\$2,000,000
8. Water treatment plant reserve fund	\$1,000,000	\$1,000,000
9. Transmission construction fund	\$2,500,000	\$2,000,000
10. Generation construction fund	\$4,000,000	\$4,000,000
TOTAL	\$20,999,904	\$20,999,904

Dated this 27th day of March, 2017.

Vice President

Attest:

Secretary

The foregoing resolution was adopted by a vote of four ayes and zero nays.

Director of Finance Runge reviewed with the Commission the amended 2017 WMU Budget. The Commission had requested the Energy Acquisition Adjustment (EAA) data be included into the previously approved 2017 WMU Budget. Runge noted that a resolution to implement the use of the EAA was approved by the Commission on November 14, 2016 (Resolution #55). The EAA is utilized to assist in the recovery of power supply expense deficit. Runge presented the amended Budget with the inclusion of the EAA projected amount for 2017. Following discussion, Commissioner Mahboub offered a resolution to approve the 2017 Amended Budget as presented. Commissioner DeBlieck seconded.

RESOLUTION NO. 9

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the amended 2017 WMU Budget with inclusion of the Energy Acquisition Adjustment projection be approved as presented.”

Dated this 27th day of March, 2017.

Vice President

Attest:

Secretary

The foregoing resolution was adopted by a vote of four ayes and zero nays.

Director of Finance Runge requested the Commission to approve a resolution with Heritage Bank, N.A. to update the listing of authorized personnel. The agreement would designate specific staff members to conduct financial/investment business on behalf of the WMU with the bank. Following discussion, Commissioner Mahboub offered a resolution to approve designated staff members to conduct financial business on behalf of the Willmar Municipal Utilities with Heritage Bank. Commissioner Weber seconded.

RESOLUTION NO. 10

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the agreement to designate Director of Finance Denise Runge and General Manager John Harren to conduct financial business/investments on behalf of Willmar Municipal Utilities with Heritage Bank N.A. be approved.”

Dated this 27th day of March, 2017.

President

ATTEST:

Secretary

The foregoing resolution was adopted by a vote of four ayes and zero nays.

Commissioner Weber reviewed with the Commission the minutes from the March 22nd WMU Labor Committee meeting (see attached). Topics of discussion included: 1) discuss issues related to the proposed decommissioning transition (district heating); 2) WMU Employee Performance Review Policy (new); 3) Pay Equity Compliance Report; and, 4) General Manager's six-month performance review. Commissioner Mattern requested that an official statement be created at the next MUC meeting to assist in clarifying the status of the district heating both to WMU's customers and employees. Following review and discussion, Commissioner Mahboub offered a motion to approve the minutes from the March 22nd WMU Labor Committee meeting as presented. Commissioner DeBlieck seconded the motion which carried by a vote of four ayes and zero nays.

General Manager Harren opened discussion with the Commission on the impact and effect of utilizing the Energy Acquisition Adjustment (EAA). Power Supply Manager Carlson presented a summary of the process and timeline which had been approved by the Commission per the City Charter guidelines. Director Finance Runge continued by presenting the Retained Earnings and Cash Flow Report. The data recapped the positive results of implementing the EAA to assist in recovering power cost overruns and increase cash flow for 2017, and to continue the review of a potential rate increase beginning again in June 2017. The EAA went into effect with the December 2016 billing cycle. Dave Berg Associates had conducted a Cost of Service and Rate Study for the WMU in 2014. As a result of the study, rate increases were recommended for the next three years for both the electric and water divisions. Only the first increase was implemented. Due to deficit of funding required for sustaining the Utility and to conduct capital improvements as needed, the EAA was approved in an effort to recover excess power supply expenses without the need of an electric rate increase. It was noted that the EAA is scheduled on a monthly basis related to power supply expenses.

General Manager Harren informed the Commission that the City Council had requested that a presentation regarding district heating be given at the April 3rd City Council Work Session. Harren presented the PowerPoint presentation which included: 1) overview of DH; 2) data from the Burns & McDonnell Study completed in April 2015 entitled "*Analysis of Local Generation Options*"; 3) cost analysis and future expenses related to DH; 4) DH customers present & future cost comparisons; 6) action timeline to date & future steps regarding DH and its consumers; and, 7) WMU's Mission & Principle Statements. General Manager Harren and Commission Laumer will be presenting the information to the City Council on April 3rd.

Under recommendation of the Commission, General Manager Harren requested that a Work Session of the MUC be scheduled. Among the items of discussion would be: 1) Cooling Tower #2 Replacement bid recommendation/value of capacity/marketability of the capacity; 2) joint action agency comparisons; 3) DH customer meeting recap and the next steps to potentially decommission DH; and, 4) possible programs/rebates to assist customers in transitioning to an alternate heat source. It was the consensus of the Commission to schedule a Work Session for mid-April.

For information: Upcoming meetings/events to note include:

- MRES Annual Meeting – Mary 10-11 (Sioux Falls, SD)
- APPA National Conference - June 19-21, 2017 (Orlando, FL)
- APPA Webinar Series: Public Utility Governance & Electric Utility 101 (1:00-2:30 p.m. in the WMU Conference Room)
 - Electric Utility 101: Substations – March 30

- Overview of Utility Financial Operations – April 6
- Electric Utility 101: Transmission – April 13
- Board Policy Development & Policy Compliance – May 2
- Electric Utility 101: Distribution – May 11
- Strategic Planning for Long-Term Effectiveness – May 30
- Board-Driven Performance Evaluation: Governance & Management – July 5

There being no further business to come before the Commission, Commissioner Mahboub offered a motion to adjourn the meeting. Commissioner DeBlieck seconded the motion which carried, and the meeting was adjourned at 12:58 p.m. by a vote of four ayes and zero nays.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES
WMU Labor Committee Meeting Minutes
WMU Conference Room
Wednesday, March 22, 2017 –12:00 p.m.

Attendees: Commissioners Carol Laumer (Chair), Nathan Weber & Ross Magnuson, General Manager John Harren, Director of Finance Denise Runge, Compliance/HR Officer Janell Johnson, Electrical Engineer Jeron Smith, Power Supply Manager Chris Carlson, Power Production Supervisor Jon Folkedahl, and Administrative Secretary Beth Mattheisen.

Commissioner Laumer called the meeting to order at 12:00 p.m.

AGENDA ITEMS:

➤ **Discuss Staffing Issues Related to the Decommissioning Transition:**

General Manager Harren provided a brief background to open discussion regarding the decommissioning transition related to district heat. Harren stated this is an opportunity to share our ideas and concerns while determining viable options regarding the transition.

Document #1: Establishing a Staff Transitional Work Plan for Internal/Exterior Employment. Following the establishment of a resolution setting the required minimum 2-year time frame, the date will be set (at the earliest late spring 2019). Staffing and training questions related to the staff were reviewed and discussed. Harren noted that he had met with Union reps earlier today, and was informed that transitioning assistance from the Union would be minimal.

Power Plant Supervisor Folkedahl provided additional information regarding the number of staff required to keep the Power Plant operational throughout the transitional period. Folkedahl expressed the need to maintain key employees throughout the period (2+ years). Facing challenges as we proceed.

Document #2: Staffing Needs Related to the Potential Decommissioning of the Power Plant. General Manager Harren reviewed the information contained in the document related to the possible future employment opportunities available at WMU. Discussions included: present positions available, potential retirements, possible position additions, etc.

Emphasized was on the need to keep our current Staff well informed in an effort to maintain certainty among the employees (specifically Power Plant personnel). Transparency makes the process challenging. This also adds to the need to establish severance packages and training options in a timely fashion.

General Manager Harren requested the Labor Committee to further review the information, so that questions may be answered and options established as we move forward.

It was the recommendation of the Labor Committee to schedule a future meeting of the Labor Committee to further discuss the issues & options. It was the consensus of the Committee to not set a hard date for the decommissioning at the time. Additional information will be brought before the Committee (and Commission) for review. This data would be related to: severance packages, early retirements, determination of job descriptions, and finish researching the ability to market the capacity from the Power Plant as the plant would not be on line.

At this time, Director of Finance Runge, Power Production Supv. Folkedahl, Electrical Engineer Smith, and Power Supply Manager Carlson left the meeting.

➤ **WMU Employee Performance Review Policy (new):**

Under the direction of the Commission, Compliance/HR Officer Johnson created a WMU Employee Performance Review & Separation Policy. The purpose of the policy is to provide a means for discussing, planning and review process in the performance of each employee. The policy will assist supervisors in providing clear guidance, coaching, and feedback to their staff throughout the year on job duties and responsibilities, goals & expectations, reviewing the performance and development of opportunities. Johnson reviewed the policy with the Labor Committee.

This policy is for information only at this time. The Labor Committee was requested to review the policy for discussion and to seek approval at a later date.

Compliance/HR Officer Johnson left the meeting at this time.

➤ **Pay Equity Compliance Report:**

General Manager Harren presented the Labor Committee with the City's Pay Equity Report Summary. This report was conducted jointly with the City of Willmar and Rice Hospital. Springsted, Inc., was hired by the City to prepare the report which was based on the 2016 wage information from each of the three entities. An explanation of the complexity of compliance was reviewed. Also noted was the use of the Hewitt system to assign current values established for each job position. The report indicated the reporting was accepted and in full compliance.

Action:

Following review, Commissioner Laumer made a motion to accept the report as presented and recommend to the Commission to concur. Commissioner Weber seconded the motion which carried by a vote of three ayes and zero nays.

➤ **General Manager's Six-month Performance Review:**

General Manager Harren presented the Committee with a summary of his accomplishments achieved since being named General Manager on October 18, 2016. The listing also included previously established goals and those set for the upcoming six-months. Additional information presented was the annual APPA 2016 Wage Report which provides data (wages) based on revenue and customer sizes. The Labor Committee closed the meeting to review and discuss the data. Following a brief discussion, Harren has invited back into the meeting. The Labor Committee stated their appreciation for all he has accomplished in the six months, and instructed the General Manager to continue forward with the progress being made in all aspects of the Utility. The next performance review of the General Manager's position would be scheduled following his one-year anniversary date followed by annual reviews thereafter.

Action:

Following the positive performance evaluation, it was the consensus of the Labor Committee to offer General Manager Harren a wage adjustment from his current \$135,000 salary to \$156,000 for his annual adjusted wage.

This adjustment was based on data obtained (MMUA, APPA, etc.) reflecting similar sized utilities. It was further noted that Harren would also receive the annual COLA adjustment. Harren accepted the offer, and the Committee would be seeking Commission approval at the March 27th meeting,

➤ **Adjournment:**

There being no further business to come before the WMU Labor Committee, Commissioner Magnuson offered a motion to adjourn the meeting. Commissioner Weber seconded the motion which carried by a vote of three ayes and zero nays at 2:34 p.m.