

**WILLMAR MUNICIPAL UTILITIES MINUTES**  
**MUNICIPAL UTILITIES AUDITORIUM**  
**AUGUST 28, 2017**

The Municipal Utilities Commission met in its regular meeting on Monday, August 28, 2017 at 3:00 p.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Nathan Weber, Bruce DeBlicek, and Ross Magnuson. Absent was Commissioner Dan Holtz.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Facilities & Purchasing Supervisor Kevin Marti, Water & Heating Supervisor Joel Braegelman, Staff Electrical Engineer Jeron Smith, Power Production Supervisor Jon Folkedahl, Administrative Secretary Beth Mattheisen, City Councilmember Shawn Mueske, and WC Tribune Journalist Shelby Lindrud,

Commissioner Laumer (President) opened the meeting by requesting the Commission to offer a resolution to approve the Consent Agenda. Following review and discussion, Commissioner DeBlicek offered a resolution to approve the Consent Agenda as presented. Commissioner Magnuson seconded.

**RESOLUTION NO. 27**

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

- ❖ Minutes from the August 14, 2017 Commission meeting; and,
- ❖ Bills represented by vouchers No. 171429 to No. 171499 and associated wire transfers inclusive in the amount of \$1,371,163.72.

Dated this 28<sup>th</sup> day of August, 2017.

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

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

At this time, the Commissioners participated in a tour of WMU’s facilities beginning at approximately 3:05 p.m. Facilities & Purchasing Supervisor Marti served as the guide for the tour of various Utility project sites and facilities. This informative tour included site visits and observations of the following: Line Dept. digger/derrick truck due for replacement in 2018; NE Water Treatment Plant/Wellfield; Willmar Substation; Priam Substation site; proposed optional sites for WMU Building/Facility; SW Water Treatment Plant/Wellfield; Willmar Avenue Water Tower; and, Power Plant. Upon completion of the tour, the Commission reconvened to the WMU Auditorium to continue the regular meeting as scheduled (approx. 4:45 p.m.).

Commissioner Mattern (Chair) reviewed with the Commission the minutes from the August 21<sup>st</sup> WMU Planning Committee meeting (see attached). The main topic of discussion focused on the preliminary 2018 WMU Budget. Data presented reflected revenues, expenses, and income related to each of the divisions with a combined total projected 2018 Budget. It was noted that in order to meet the projected revenue requirements, rate adjustments are warranted for both the electric and water divisions. Another option discussed was the inclusion of an additional line-item listing on the monthly utility bill for the cash portion of the contribution to the City (Payment in Lieu of Taxes or PILOT). This would provide transparency for the customers and assist in minimizing the amount of rate increases required. Mattern also stated that the Energy Acquisition Adjustment (EAA) mechanism to collect funds to assist with energy costs will be utilized through 2017. In 2018, the EAA will be used according to the policy and process previously approved. In conjunction with budgeting, the clarification of financing of future water main construction was discussed. Following review and discussion, Commissioner Mattern offered a motion to approve the minutes of the August 21<sup>st</sup> WMU Planning Committee meeting as presented and to proceed with the process to implement the necessary rate adjustments as required (this would include further exploring of the line-item addition option). Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

Director of Finance Runge presented the Commission with the proposed 2018 MUC Budget which included the Capital Improvements Budget (2018) and Statement of Cash Flows for the years 2018-2022. With the need for substantial capital projects and rising energy costs, discussion focused on the need for the rate adjustments. Runge provided various scenarios and projections for consideration. Runge further stated that the Intragovernmental Transfer (PILOT) would remain at \$2,152,600 for 2018 (same as 2017). Following discussion, it was the consensus of the Commission to direct General Manager Harren to continue discussions with City Officials to further address the following issues which impact the annual WMU Budget: 1) water main cost allocations; 2) fire hydrant costs; and 3) line-item addition (franchise fee). Commissioner DeBlieck stated that if it is warranted to have the Commission and City Council meet to discuss the issues, General Manager Harren is directed to schedule the meeting between the two entities. Following discussion, it was the consensus of the Commission to support the 2018 Budget as presented, and to pursue both the process to implement rate adjustments and the addition of the line-item listing. Commission approval of the 2018 WMU Budget will be requested at the September 11<sup>th</sup> MUC meeting.

Facilities & Purchasing Supervisor Marti reviewed with the Commission a proposed farm lease agreement between Brian & Chris Schlegel of Blomkest and Willmar Municipal Utilities for 17 acres of farm land. This is a three-year lease agreement payable in three equal installments totaling \$11,730 (\$3,910 per year). Following discussion, Commissioner DeBlieck offered a resolution to approve the three-year lease agreement between Brian & Chris Schlegel and Willmar Municipal Utilities in the amount of \$3,910 per year for the years 2018-2020. Commissioner Magnuson seconded.

#### **RESOLUTION NO. 28**

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the farm lease agreement between the Willmar Municipal Utilities and Brian Schlegel doing business as Fox Lake Farms, Inc., and Chris Schlegel doing business as CHS Farms, Inc., in the amount of \$3,910 per year for the years 2018, 2019 and 2020 (total amount of \$11,730) be approved.”

Dated this 28<sup>th</sup> day of August, 2017.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

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

Water & Heating Supervisor Braegelman informed the Commission that in 2016, WMU had applied for a Source Water Protection Plan Implementation Grant through the Minnesota Department of Health. Notification that WMU had been awarded the grant was received in January 2017 with the funds becoming available on August 1, 2017. The funds will be designated for the following uses: 1) \$2,000 for PCSI data management; 2) \$500 for well management; and, 3) \$3,200 for data collection & well sealing. Staff is recommending that the designation to sign the grant form be given to Commissioner Laumer (President) and Braegelman to execute the funding requirements. Following discussion, Commissioner Laumer offered a resolution to approve the signing designation as recommended for the Source Water Protection Plant Implementation Grant. Commissioner Mattern seconded.

#### **RESOLUTION NO. 29**

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that Commissioner Carol Laumer and Water & Heating Supervisor Joel Braegelman be designated to execute (sign) the grant agreement between the Minnesota Department of Health and Willmar Municipal Utilities for the Source Water Protection Plan Implementation Grant in the total amount of \$5,700.”

Dated this 28<sup>th</sup> day of August, 2017.

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

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

Commissioner Laumer & General Manager Harren presented the Commission with a recap of their recent attendance at the annual MMUA Summer Conference (August 21-23). Harren announced that Commissioner Laumer had been appointed to serve as a director for the MMUA Board of Directors. Commissioner Laumer expressed her enthusiasm to serve on the Board and to assist in the leadership role as a voice for municipal utilities. Congratulations, Carol! Issues of interests discussed at the annual meeting included: 1) effective governance for public sector utilities; 2) policies for governing boards (Note: Laumer offered her assistance in annual WMU policy updates); 3) public power marketing/knowledge of benefits; 4) dual fuel options; and, 5) cybersecurity.

Both attendees expressed their appreciation to the Commission for the opportunity to attend and for the beneficial insight gained while attending the conference on behalf of the Willmar Municipal Utilities.

General Manager Harren informed the Commission that a meeting of the WMU Labor Committee has been scheduled for Wednesday, August 30<sup>th</sup> beginning at 10:00 a.m. Topics of discussion will include: 1) Power Plant Operations; 2) Power Plant Staffing; and 3) Employee Performance Policy.

For information: Upcoming meetings/events to note include:

- WMU Labor Committee Meeting – August 30 @ 10:00 a.m.
- Public Power Week – Oct. 1-7
  - Annual WMU Open House – Oct. 3 @ Willmar Civic Center (4:30-6:00 p.m.)

There being no further business to come before the Commission, Commissioner Laumer declared the meeting adjourned at 5:55 p.m.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

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Beth Mattheisen  
Administrative Secretary

ATTEST:

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Abdirizak Mahboub, Secretary



**WILLMAR MUNICIPAL UTILITIES**  
**WMU PLANNING COMMITTEE MEETING MINUTES**  
**Monday, August 21, 2017-11:30 a.m.**  
**WMU Conference Room**

Present: Commissioners Justin Mattern, Abdirizak Mahboub & Bruce DeBlieck, General Manager John Harren, Director of Finance Denise Runge, Facilities & Purchasing Supervisor Kevin Marti, and Administrative Secretary Beth Mattheisen.

Commissioner Mattern (Chair) called the meeting to order at 11:30 a.m.

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**AGENDA ITEM(S):**

➤ **Review of Proposed 2018 WMU Budget:**

Director of Finance Runge reviewed with the Committee the preliminary 2018 WMU Budget. Departmental (electric, water, heating) analysis and data were presented for review. This data reflected revenues, expenses, and income related to each of the divisions for a total projected 2018 budget. Included in the presented data were the Capital Improvement Budget (2018) and Statement of Cash Flows (electric & water) for 2018-2022. The following is a recap of specific points of discussion:

1. The Energy Acquisition Adjustment (EAA) will continue to be utilized as previously budgeted through 2017. Beginning 2018, the EAA will be utilized according to the process and guidelines outlined in the approved policy.

2. Financing of future water main construction was discussed.

3. Capital Improvement Budget:

a. "Rehouse Diesel Generators" (\$2.5 million): In the event the rehousing project is deemed unnecessary, this entry is being treated as a budgetary "placeholder" which funds may be used for future repowering/new generation.

b. Estimated \$50 million of capital improvement projects tentatively scheduled for completion within the next 5-6 years (Priam Sub, Water Treatment Plant, possible new generation, WMU facility, etc.). A number of the projects have been deferred over the years, and are overdue for completion. The need to secure funding for the necessary projects is imperative. Financing options including loan funds and bond sales were further discussed.

c. Due to the current antiquated Load Share system, upgrades and improvements are reflected in the Energy Services budget (\$625,000). The estimated cost consists of new head end equipment and load control units. This program assists in reducing capacity needs (power supply costs).

4. Rate Adjustments:

With the need to finance Capital Improvement Projects and to meet the ever-increasing power supply costs, rate adjustments are warranted to ensure the long-term financial health of the WMU. As a reminder, Dave Berg Consulting, LLC conducted a Cost of Service & Rate Study in

2014. As a result of the study, electric and water rate recommendations had been developed for implementation by WMU. The rates adjustments are needed to meet projected revenue requirements. Recommended water adjustments were 20% (2015), 10% (2017), and 10% (2018). Recommended electric rate increases were 4.5% (2015) and 3% increases in 2016, 2017, and 2018. Of the recommendations, only the 20% water and 4.5% electric rate increases were implemented (both in 2015).

Director of Finance Runge presented the Committee with a number of scenarios and projections including rate increases both in the water (10% & 10%) and electric (5% & 5%) divisions. The second scenario was for a potential inclusion of a line-item listing on the monthly utility bill for the PILOT cash portion of the contribution (see Item #5), along with (5%, 5%) increase water division. Additional scenarios were presented for discussion.

It is anticipated that a new rate study will be conducted in 2019 (including fixed costs & commodity charges).

#### 5. Intragovernmental Transfer (PILOT):

One option for consideration is to include a line-item on the monthly utility bills for collection of the cash portion of the contribution to the City. This would provide transparency for the customers. Communications and solicitations for feedback with City representatives are currently being conducted. The PILOT cash portion is based on electric commodities fees (kilowatt sales). General Manager Harren reviewed with the Committee the annual PILOT contribution to the City.

#### **Recommendations & Conclusion:**

It was the consensus of the Committee to recommend that the Commission proceed with the process to implement the necessary rate adjustments.

The Planning Committee will present the option to include an additional line-item on the monthly utility bill (cash portion of the contribution to the City) to the Commission for input and request directive relating to this option. If the Commission indicates their desire to continue discussions with City officials regarding the line-item option, proper vetting by all involved parties will be required.

The preliminary budget along with the recommended adjustments will be presented to the Commission on August 28<sup>th</sup> for review. Request for final approval of the 2018 WMU Budget will be at the September 11<sup>th</sup> MUC meeting.

#### ➤ **Adjournment:**

There being no further discussion to come before the WMU Planning Committee, Commissioner Mattern declared the meeting adjourned at 12:56 p.m.