

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
AUGUST 27, 2018

The Municipal Utilities Commission met in its regular rescheduled meeting on Monday, August 27, 2018 at 3:00 p.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Nathan Weber, Bruce DeBlieck, Ross Magnuson and Brendan MacDonald. Absent was Commissioner Abdirizak Mahboub.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Facilities & Maintenance Supervisor Kevin Marti, Staff Electrical Engineer Jeron Smith, Water & Heating Supervisor Joel Braegelman, Administrative Secretary Beth Mattheisen, and City Councilmembers Audrey Nelson (tour only) & Shawn Mueske.

Commission President Laumer declared the meeting open at 3:00 p.m. and the Commissioners participated in the annual tour of WMU facilities. Facilities & Purchasing Supervisor Marti served as the guide for the tour of various project sites and facilities. The tour included site visits and observations of the following: East Substation; NE Water Treatment Plant; Priam Substation site; mobile boiler project; and the WMU Office Building. Upon completion of the tour, the Commissioners reconvened to the WMU Auditorium to continue the regular meeting as scheduled (approx. 4:25 p.m.).

Due to the absence of Commission Secretary Mahboub, Commissioner Laumer appointed Commissioner DeBlieck to serve as Acting Secretary. Following the appointment, Commissioner Laumer asked if any revisions were needed to the presented agenda. There being none, Commissioner Laumer continued by requesting a resolution to approve the Consent Agenda. Commissioner Magnuson offered a resolution to approve the Consent Agenda as presented. Commissioner Weber seconded.

RESOLUTION NO. 40

“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 13, 2018 Commission meeting; and,
- ❖ Bills represented by vouchers No. 181350 to No. 181431 and associated wire transfers inclusive in the amount of \$2,237,900.89.

Dated this 27th day of August, 2018.

President

Attest:

Acting Secretary

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

Commissioner Mattern (PC Chair) reviewed with the Commission the minutes from the August 23rd WMU Planning Committee meeting (see attached). The main topic of discussion focused on the proposed 2019 WMU Budget. Following discussion, Commissioner Mattern offered a motion to approve the minutes of the August 23rd WMU Planning Committee meeting as presented. General Manager Harren noted that by approving the minutes, this also provided acceptance of Option #2 for the design of the NE Water Treatment Plant. Per Commission directive, Staff will contact Carollo Engineering to confirm the design selection and proceed with the project as indicated. The Commissioners will be kept informed of developments as the project moves forward. Commissioner DeBlieck seconded the motion which carried by a vote of six ayes and zero nays.

Director of Finance Runge and General Manager Harren reviewed with the Commission the proposed 2019 WMU Budget (including Operations & Maintenance Budget and Capital Budget). The recommended budget was set at \$36,303,873 with the largest budgeted cost item being purchased power estimated at \$13,941,810. The Capital Budget was set at \$8,131,264. Runge and Harren presented a status update of the capital projects noting the largest budgeted item was for the future NE Water Treatment Plant in the amount of \$4,225,900 (est. cost \$9.5M). It was further noted that the Intergovernmental Transfer to the City of Willmar would remain at \$2,152,600 for 2019. The Five-Year Capital Improvement Plant (2019-2023) which includes the Statement of Cash Flows for both the Electric and Water Divisions was presented for review. Following review and discussion, Commissioner Laumer offered a resolution to approve the 2019 WMU Budget which includes both the O&M and Capital Budgets as presented. Commissioner Mattern seconded.

RESOLUTION NO. 41

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the 2019 WMU Budget including the Operating & Maintenance Budget and Capital Budget be approved as presented.”

Dated this 27th day of August, 2018.

President

Attest:

Acting Secretary

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

Director of Finance Runge presented the Commission with the July 2018 Finance Report along with a recap of the July 31, 2018 Investment Portfolio. The data presented included analyses of the Electric, Water, Heating and Combined Divisions. Information contained in the reports reflected operating revenues & expenses, operating income, and retained earnings. The Investment Portfolio presented a summary of WMU's securities and associated brokerage firms/agencies to date.

General Manager Harren informed the Commission that as members of Missouri River Energy Services (MRES), the Utility will be provided monthly updates from the MRES and Western Minnesota Municipal Power Agency (WMPMA) Board of Directors meetings. The video updates will provide brief overviews of the topics discussed by the Boards and the actions taken. At this time, the August 9th MRES and WMPMA Board of Directors Meeting Update was viewed. Harren noted that in the future, these video updates will be included at the second MUC meeting of the month.

Commissioners Laumer & DeBlieck, General Manager Harren and Director of Finance Runge presented the Commission with a recap of their recent attendance at the annual MMUA Summer Conference (August 20-22). Topics of interest discussed at the annual meeting included: state-wide legislative developments; update of Board policies; new vision for Conservation Improvement Program (CIP); solar power; electric vehicles; and, the annual trade show. The attendees expressed their appreciation to the Commission for the opportunity to attend the valuable networking opportunity and for the insight gained while attending on behalf of the Willmar Municipal Utilities.

General Manager Harren informed the Commission that a meeting of the WMU Planning Committee would be forthcoming (TBD). Agenda items will include: new generation; Customer Appreciation Open House (2019); and, MRES School Education Program.

For information: 2018 Upcoming meetings/events to note include:

- MRES Leadership Academy – Sept. 19-20 (Sioux Falls, SD)

There being no further business to come before the Commission, Commissioner Laumer declared the meeting adjourned at 5:20 p.m.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Bruce DeBlieck, Acting Secretary



WILLMAR MUNICIPAL UTILITIES
WMU PLANNING COMMITTEE MEETING MINUTES
Thursday, August 23, 2018 – 12:00 p.m.
WMU Conference Room

Present: Commissioners Justin Mattern, Bruce DeBlieck & Brendan MacDonald, General Manager John Harren, Director of Finance Denise Runge, Water & Heating Supervisor Joel Braegelman, and Administrative Secretary Beth Mattheisen.

Commissioner Mattern (Chair) called the meeting to order at 12:00 p.m.

AGENDA ITEM(S):

➤ **Review of Proposed 2019 WMU Budget:**

General Manager Harren opened discussion with the Planning Committee regarding the proposed 2019 WMU Budget. One item of consideration to be addressed relating to the budget was the future costs of the NE Water Treatment Plant (NEWTP). Staff was requesting directive from the Committee to proceed with the project.

Water & Heating Supv. Braegelman introduced three options for the future NEWTP for consideration by the Committee. Carollo Engineering provided the optional designs including the cost estimates for each. Illustrations were presented of each option along with specific descriptions. Braegelman continued by stating that Carollo and Staff are recommending Option #2 as the most beneficial and cost effective option. The timeframe estimate for the construction was 18 months.

Following discussion, it was the consensus of the Committee to recommend to the Commission approval of Option #2 and continue moving forward with the design of the future NEWTP.

At this time, Water & Heating Supv. Braegelman departed the meeting.

General Manager Harren reviewed with the Committee key factors associated with determining the proposed 2019 WMU Budget. Large items which would affect the budget.

Director of Finance Runge reviewed with the Committee the preliminary 2019 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 2019 budget. Included in the presented data were the Operating Budget, Capital Budget, Statement of Cash Flows (electric & water), and Five-Year Capital Improvements Plan (2019-2023). The total proposed Operating Budget based on revenue for 2019 is \$36,303,873. The following is a recap of specific points of discussion:

- 1) District Heating revenues reflect the significant decline in DH customers.
- 2) Largest Capital Budget items include: office building; line construction projects; and, water treatment plant construction. Total Capital Budget: \$8,131,264.
 - a. Water main/replacement costs were discussed. MOA between WMU & City must be finalized.
- 3) Statement of Cash Flows – Electric & Water

- a. Bonding for future projects was discussed (i.e. new generation, water treatment plant)
- b. No additional electric rate increase anticipated at this time
- c. Water rates need to be adjusted. Rate to be determined based on rate study to be conducted in 2019.
- d. Possible sale of four parcels of WMU-owned property discussed. Properties have City assessed market value is \$246,600. No action will be taken at this time.

Budget Recap:

- Electric Fund retained earnings and net cash balance remain stable through 2023 with issuing a bond for the financing of a 10 MW generator if WMU proceeds with the installation. The 2019 rate study would analyze the funds fixed cost and move those into fixed charges. No rate increase required.
- Water Fund cash balance is depleted by 2023 with the construction of the NEWTP. A rate increase will be required. The 2019 rate study would identify a multi-year rate increase.
- District Heat continues to operate at a deficit.

Following thorough discussion, Commissioner Mattern requested any additional questions or concerns regarding the present budget. There being none, Commissioner DeBlieck offered a motion to accept the proposed 2019 WMU Budget and recommend to the Commission approval of the budget as presented. MacDonald seconded the motion which carried by a vote of three ayes and zero nays.

➤ **United Way Employee Contributions:**

Director of Finance Runge informed the Committee that for many years the Utility has been associated with the area United Way organization through payroll deductions and fund raising events. A number of employees raised questions regarding the voluntary partnership with this single organization. Therefore, this past practice has been reviewed by WMU Staff. Follow the review, it was determined that as a public entity, it was no longer proper to continue this type of corporate partnership.

Following discussion, it was the consensus of the Planning Committee to discontinue the past practice of payroll deductions and fund raising activities with the area United Way.

➤ **Adjournment:**

There being no further discussion to come before the WMU Planning Committee, Commissioner Mattern declared the meeting adjourned at 1:35 p.m.