

**ELK RIVER MUNICIPAL UTILITIES
REGULAR MEETING OF THE UTILITIES COMMISSION
HELD AT THE ELK RIVER FIRE STATION EOC CONFERENCE ROOM**

April 13, 2021

Members Present: Chair John Dietz, Vice Chair Al Nadeau, Commissioners Paul Bell, Mary Stewart, and Matt Westgaard

ERMU Staff Present: Theresa Slominski, General Manager
Melissa Karpinski, Finance Manager
Jennie Nelson, Customer Service Manager
Tom Sagstetter, Conservation & Key Accounts Manager
Michelle Canterbury, Executive Administrative Manager
Tom Geiser, Operations Director
Chris Sumstad, Electric Superintendent
Mike Tietz, Technical Services Superintendent
Dave Ninow, Water Superintendent
Chris Kerzman, Engineering Manager
Tony Mauren, Communications & Administrative Coordinator

Others Present: Peter Beck, Attorney; Cal Portner, City Administrator; Terri Heaton, Representative with Baker Tilly Municipal Advisors, LLC; Brad Barickman, Vice President of Community Construction at RJM Construction; Justin Rice, Senior Project Manager at RJM Construction; Andrew Berg, CPA with Abdo, Eick & Meyers

1.0 GOVERNANCE

1.1 Call Meeting to Order

The regular meeting of the Utilities Commission was called to order at 3:30 p.m. by Chair Dietz.

1.2 Pledge of Allegiance

The Pledge of Allegiance was recited.

1.3 Consider the Agenda

Chair Dietz requested the addition of agenda item 5.6 Late Fees.

Ms. Slominski requested moving agenda items 5.2 Award of Bonds, 5.3 Bond Sale Resolution, 4.1 2020 Financial Audit, and 5.4 Field Services Facility Expansion Project – Award of Bids, to follow Open Forum.

Moved by Commissioner Nadeau and seconded by Commissioner Westgaard to approve the amended April 13, 2021 agenda. Motion carried 5-0

1.4 Resolution Recognizing 2021 Drinking Water Week

Mr. Ninow provided background on Drinking Water Week, recognizing the vital role safe drinking water plays in our daily lives.

Moved by Commissioner Bell and seconded by Commissioner Stewart to adopt Resolution 21-4 Recognizing Drinking Water Week, May 2-8, 2021. Motion carried 5-0

1.5 Resolution Recognizing 2021 Lineworker Appreciation Day

Mr. Geiser provided background on Lineworker Appreciation Day which occurs every year on April 18. Since the holiday falls on a Sunday, staff will be acknowledged on April 19 with donuts provided by the electric superintendent.

Moved by Commissioner Westgaard and seconded by Commissioner Nadeau to adopt Resolution 21-5 Recognizing Lineworkers and Designating April 18, 2021 as Lineworker Appreciation Day. Motion carried 5-0

1.6 Recognition of APPA Safety Award of Excellence

Mr. Tietz was honored to announce ERMU had received American Public Power Association's Safety Award of Excellence, earning first place. Mr. Tietz provided background on the award and recognized all employees for their contribution to earning this honor.

Chair Dietz had a question about how the award would be acknowledged and promoted to the public. Staff responded.

Moved by Commissioner Bell and seconded by Commissioner Westgaard to receive the APPA Safety Award of Excellence. Motion carried 5-0

1.7 Recognition of Employee Achievement

Ms. Slominski informed the Commission that Dave Ninow had completed the Minnesota Municipal Utilities Association's FirstLine Supervision Program.

The Commission applauded Mr. Ninow.

2.0 CONSENT AGENDA (Approved By One Motion)

Ms. Slominski had a revision to item 2.8 Employee Handbook Annual Updates, noting that Section 47 Long Term Care Insurance needed to be removed as it references a discontinued insurance service.

Moved by Commissioner Nadeau and seconded by Commissioner Stewart to approve the amended Consent Agenda, with the revision noted above to the Employee Handbook, as follows:

- 2.1 Check Register – March 2021
- 2.2 Regular Meeting Minutes – March 9, 2021
- 2.3 Special Meeting Minutes – March 31, 2021
- 2.4 Resolution Electing Not to Waive Statutory Tort Limits for Liability Insurance
- 2.5 Transmission Transformed Service Rate
- 2.6 ERMU's Tom Bovitz Memorial Scholarship Award Winner
- 2.7 Transfer of Asset – Jackson Street Water Tower
- 2.8 Employee Handbook Annual Updates

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

5.2 Award of Bonds

At the March 9 meeting, the Commission passed a resolution to proceed with the issuance of \$14,460,000 2021B bonds, and the City Council passed it at their March 15 meeting. At that time, it was identified that the award of the bonds by the Utilities Commission would come back for consideration at the April 13 meeting. As noted in Ms. Karpinski's memo, the bond amount has since decreased to \$12,620,000 due to a change in bonding structure and allocation between the Electric and Water departments.

Proposals for the sale of the bonds were received the morning of April 13 until 10:30 a.m. Ms. Heaton distributed the bid tabulation and winning bid form and walked through the information and market sale results. Hilltop Securities, Inc. came in as the low bidder with an interest rate of 2.04%. Ms. Heaton also shared that the issue size decreased from \$12,620,000 to \$11,810,000 due to a premium with the offer. Ms. Heaton stated that the draft resolution in the commission packet will be populated with the information from the bid tabulation, along with the lower borrowing amount. Ms. Heaton requested the Commission adopt the resolution along with the bid tabulation. Chair Dietz asked for further clarification on the premium with the offer. Ms. Heaton responded.

The Moody's bond rating call was conducted on March 30. Based on the information reviewed, Moody's assigned an Aa3 rating. Ms. Heaton spoke to how the high rating contributed to the

favorable results for the bond sale. Ms. Heaton complimented ERMU staff and shared how impressive they were on the rating call.

Moved by Commissioner Stewart and seconded by Commissioner Nadeau to adopt the bid tabulation and Resolution Awarding the Issuance and Sale of \$11,810,000 Electric Revenue Bonds, Series 2021B, to Hilltop Securities, Inc. Motion carried 5-0.

5.3 Bond Sale Resolution

To finance the expansion of the Field Services Facility, staff has been working with Baker Tilly Municipal Advisors, LLC to bring sale information for the \$1,750,000, General Obligation Water Utility Revenue Bonds, Series 2021C to the Commission. As the City of Elk River is the qualified entity to issue bonds, the resolution must be approved by both the Utilities Commission and the City Council for the bond sale to proceed. Consideration and award of the bonds will occur at the May 11, 2021 commission meeting.

Moved by Commissioner Bell and seconded by Commissioner Westgaard to adopt Resolution No. 21-9 providing for the competitive negotiated sale of \$1,750,00 General Obligation Water Utility Revenue Bonds, Series 2021C, and request that the City Council approve the issuance of the bonds and delegate to the Commission the authority to award the 2021C Water Bonds, per the attached resolution. Motion carried 5-0.

4.1 2020 Financial Audit

Mr. Berg was available via teleconference to present the ERMU Financial Audit for the Year Ended December 31, 2020 and Management Communication. He stated that the auditors issued a clean opinion on the financials and that there were no findings to report. In addition, they also issued a clean report on Minnesota legal compliance. Mr. Berg walked through the 2020 Financial Statement Audit Presentation.

Chair Dietz had several clarification questions. Mr. Berg and staff responded.

There were questions about the rate of interest ERMU was receiving on its investments and a note from the audit that recommended methods for maximizing interest and earnings. Commissioner Westgaard shared that the Financial Reserves & Investment Committee had discussed this and had made the recommendation to keep higher than normal cash reserves with large projects on the horizon. Mr. Berg encouraged the Commission to be aware of upcoming cashflow needs and shared that there are a limited number of liquid investment opportunities currently.

Chair Dietz had questions about any opportunities ERMU might have to refinance the bond it has for the membership buy-in to Minnesota Municipal Power Agency. Ms. Slominski responded that to be able to refinance the bonds there would need to be a change to legislation. There was discussion.

Moved by Commissioner Stewart and seconded by Commissioner Nadeau to receive and file the Financial Audit for the year ending December 31, 2020. Motion carried 5-0

5.4 Field Services Facility Expansion Project – Award of Bids

Mr. Barickman and Mr. Rice were available via teleconference to discuss the bid summary and answer questions. Mr. Barickman shared that there was great interest in this project.

Chair Dietz had a question about a vendor who requested that their bid be removed. Mr. Kerzman responded that because a review of the bid showed no errors, the contractor has agreed to perform their work at the bid price.

Chair Dietz had questions about scheduling and the timeline for the project. Mr. Barickman responded.

Commissioner Bell asked if there were plans to pursue any of the alternate items which are not recommended at this time due to the overall project budget but may be considered with expected cost savings. Mr. Kerzman responded that once site work is complete, they would look at pursuing alternates. Mr. Barickman stated there would be opportunities to negotiate alternates with contractors once higher cost portions of the projects are complete.

Moved by Commissioner Westgaard and seconded by Commissioner Bell to adopt Resolution No. 21-7 Awarding Bids and Quotes for the ERMU Field Services Facility Project. Motion carried 5-0.

Moved by Commissioner Westgaard and seconded by Commissioner Nadeau to adopt Resolution No. 21-8 Approving Assignment of Construction Contracts to RJM for the ERMU Field Services Facility Project. Motion carried 5-0.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve AIA A133-2019 Construction Management Contract Guaranteed Maximum Price Amendment Exhibit A. Motion carried 5-0.

4.0 POLICY & COMPLIANCE

4.2 2020 Year-End Reserve Balances

Ms. Karpinski presented 2020 Year-End Reserve Balances which are reviewed following the audit.

Commissioner Bell asked if the unrestricted reserve balances which were to be partially designated for capital infrastructure costs could be used for alternate items in the Field

Services Facility Expansion project. Commissioner Bell stated that he preferred to pursue the alternates now to create the best results and while there are already contractors on site. Mr. Bell asked if authority to award those alternates could be given to staff. Attorney Beck said awarding the alternates would need approval from the Commission but that a blanket approval for future decisions could be given once the higher cost site work is complete. Ms. Slominski pointed out that the site work will be some of the early steps in the process so there would be an opportunity to review options at a later date. There was further discussion.

Chair Dietz and Commissioner Stewart had some clarification questions. Staff responded.

Moved by Commissioner Stewart and seconded by Commissioner Nadeau to approve the unrestricted reserve balance above the target level for the Electric Utility fund be designated for electric service territory transfer costs, capital infrastructure costs, and the Energy Adjustment Clause to be capped at \$500,000. Motion carried 5-0.

Moved by Commissioner Nadeau and seconded by Commissioner Westgaard to approve the unrestricted reserve balance above the target level for the Water Utility fund be designated for future capital infrastructure costs. Motion carried 5-0.

4.3 **2020 Utilities Performance Incentive Compensation Distribution**

In her presentation, Ms. Karpinski noted that staff had met all the metrics for the incentive compensation program except for two, Water Loss and Employee Turnover. Per the policy, this warrants a multiplier of 85% and qualifying employees would be eligible for a 1.7% distribution.

Mr. Ninow provided an explanation for the water loss issue in response to Chair Dietz's question. Mr. Ninow noted there was a required flushing of Well #5 to remove air from the system in the spring and a water main break in August that contributed to the loss.

Moved by Commissioner Bell and seconded by Commissioner Stewart to award the Performance Metrics and Incentive Compensation Distribution of 1.7% to qualifying employees per the terms of the policy. Motion carried 5-0.

5.0 **BUSINESS ACTION**

5.1 **Financial Report – February 2021**

Ms. Karpinski presented the Financial Report for February 2021.

Chair Dietz had a clarification question. Staff responded.

Moved by Commissioner Nadeau and seconded by Commissioner Stewart to receive the February 2021 Financial Report. Motion carried 5-0.

5.5 COVID-19 Emergency Leaves

Ms. Slominski presented her memo requesting the Commission approve the extension of the COVID-19 Emergency Leaves to May 31, 2021.

Chair Dietz asked if the leave could be made available only to staff members who have been vaccinated. Attorney Beck noted that this is an evolving question, he recommended consulting with Attorney Mathison who specializes in matters such as these. There was discussion.

Commissioner Westgaard noted the City had recently extended their COVID-19 leave program to June 30, 2021. In the interest of consistency, he proposed setting the same date for ERMU.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the extension of emergency leaves of the Families First Coronavirus Response Act through June 30, 2021. Motion carried 5-0.

5.6 Late Fees

Chair Dietz asked staff if there has been any discussion among industry associations about the reinstatement of late fees which have been postponed by ERMU during the pandemic. Ms. Slominski shared that the Minnesota Department of Commerce has relaxed its stance on postponing shutoffs provided utilities are working with assistance agencies so the agencies can work with individuals in need of their services. Ms. Slominski noted some utilities have begun charging late fees but that was not staff's intention at this time. She added she does however plan to pursue shutoffs for accounts that are significantly behind in payments.

Ms. Nelson noted a return to the normal notification process for delinquent accounts which will include language about scheduled disconnections.

Chair Dietz asked staff to contact Minnesota Municipal Utilities Association to see if there has been any discussion about bringing back late fees.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Ms. Slominski called out the statement attached to her update from Minnesota Municipal Power Agency regarding the use of a rate stabilization fund to offset cost increases for natural gas due to severe weather in Texas in February. There was discussion.

Mr. Sagstetter explained the photos attached to his memo showing equipment issues at the landfill-gas-to-energy plant.

Mr. Geiser updated the Commission on an equipment failure that occurred in the power plant substation, which was believed to be caused by a short in one of terminators. Test results showed that the transformers were not damaged, and service should be restored the next day. The only service interruption occurred within ERMU facilities.

Commissioner Stewart had a question for Mr. Sumstad having noticed an ERMU truck dropping off wood poles at a local farm. She asked if this was a recycling initiative that ERMU had. Mr. Sumstad confirmed that it was.

Commissioner Stewart had a question about the open water operator position. Staff responded.

Mr. Kerzman shared that he just returned from in person testing at the factory producing the transformer for the Field Services Facility Expansion project. He shared that testing went well and the delivery date was scheduled for the following week.

6.4 Future Planning

Chair Dietz announced the following:

- a. Regular Commission Meeting – May 11, 2021
- b. 2021 Governance Agenda

6.5 Other Business

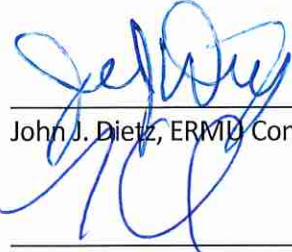
Commissioner Westgaard reminded the Commission he would not be able to participate in the May meeting.

Chair Dietz proposed an employee recognition initiative, similar to what the City Council had done for its staff, where the Commission would purchase donuts for ERMU employees. The Commission agreed.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Bell and seconded by Commissioner Nadeau to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 4:51 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren.



John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk