

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on November 26, 2019.

Commission President Mark O'Day called the meeting to order.

Commissioners Roll Call

Mike Angland – Present	Mark O'Day – Present
Tad Johnson- Present	Dolly Matten – Present
William Wroolie – Present	

Utility Staff Present

Secretary/Finance Director	Todd Wicklund
Superintendent	Scott Magnuson
Recording Secretary	Sharon Jensen
Trent Hawkinson	Operations Manager
Julie Batters	Accounting Supervisor

Others in Attendance

Interim Brainerd City Administrator	Jim Thoreen
Brainerd Mayor	Ed Menk

Commission President O'Day opened the meeting with the Pledge of Allegiance.

Approval of Minutes and Consent Items

Motion by Commissioner Johnson and seconded by Commissioner Wroolie to approve the minutes of the October 29, 2019 regular monthly meeting and to approve payment of the current months bills. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

None

President's Report

None

Other Commissioners' Reports

Commissioner Matten reported on Superintendent Magnuson and Finance Director Wicklund 2019 performance reviews that were completed on October 29th. She noted that both are satisfactory

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completing their respective job assignments and stated she would submit written evaluation reports at a later date.

Motion by Commissioner Matten and seconded by Commissioner Johnson to accept the performance reviews for Superintendent Magnuson and Finance Director Wicklund. There was a unanimous vote in favor of the motion. Motion carried.

Matten also attended the BLAEDC quarterly meeting and she said that Sheila Haverkamp was retiring.

City Administrator Report

Interim City Administrator Jim Thoreen stated that Jennifer Bergman was selected for the City Administrator position. She has given the Brainerd HRA a 30 day notice and will begin January 6th. Thoreen last day will be December 31st.

City Council 2020 budget has a recommended 4% increase and is expected to be adopted on December 16th.

City Hall remodel has a completion date of March 31st currently waiting on equipment.

Mayor Menk reported that Crow Wing Food Co-op was the winner for the final Destination Downtown contest. Loide' Oils & Vinegars and Minnesota Makerspace were also finalists. Menk said that there is a lot of activity in several buildings Downtown. Potential new program through the Initiative Foundation is available to assist entrepreneurs in starting businesses which would involve classes and mentorships.

Secretary's Report

October 2019 financial reports which include the following highlights:

1. Total operating revenue increased \$147,251 (0.7%) from 2018.
2. Power costs are \$10.3 million a \$410,130 increase from 2018. In 2018 there was a \$1.3 million MP true-up reduction in power costs.
3. Local Option Sales Tax received from Brainerd and Baxter was \$1,202,723 a \$57,883 increase from 2018.
4. Days of cash on hand for 2019 and 2018 were as follows:
 - Combined – 164 and 173
 - Electric - 89 and 72
 - Water - 117 and 402 (includes cash for tower construction)
 - Wastewater – 588 and 500

The recommended minimum amount should range from 90 to 180 days of cash on hand.

5. kWh sold is down 2.7% while utility revenue is unchanged.
6. Water Department operating loss for 2019 is \$196,621 compared to \$64,696 for 2018. Depreciation expense is \$896,720 which is an increase of \$98,220 from 2018. Change in net position is a negative \$15,319 for 2019 compared to a negative \$8,889 for 2018.
7. Water sold is down 1.6% while utility revenue is up 3.0%
8. Wastewater Department operating loss for 2019 is \$617,392 compared to \$794,994 for 2018. Change in net position is a positive \$372,372 for 2019 compared to a negative \$136,543 for 2018.
9. Wastewater gallons processed up 1.4% while utility revenue is up 5.1%

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AEP

Savings for the first four months with AEP approximate \$704,000 which is an approximate 15% decrease. There are also savings being realized due to lower transmission congestion charges.

CliftonLarsonAllen (CLA) Audit Proposal

Presented audit engagement proposal for 2019 from CliftonLarsonAllen in the amount of \$21,900. The 2019 fee includes CLA drafting the financial statements. The 2018 audit fee was \$21,500.

Motion by Commissioner Johnson and seconded by Commissioner Matten to approve 2019 Audit proposal from CliftonLarsonAllen for \$21,900. There was a unanimous roll call vote in favor of the motion. Motion carried.

Airport Solar Project Update

Wicklund reviewed the process to date with the Airport Commission in preparing a letter of intent. Once the letter of intent is approved BPU and AEP will be authorized to enter the Airport property to conduct necessary studies to construct, operate and maintain the solar array. BPU staff is working with Airport Director Steve Wright to determine what FAA requirements will need to be met in order to construct the solar array. AEP would like to order some of the equipment for the Airport project before the end of the year.

Motion by Commissioner Wroolie and seconded by Commissioner Angland to approve the concept of continuing discussions with the Airport Commission and AEP regarding lease and construction of solar array. There was a unanimous vote in favor of the motion. Motion carried.

HR Director's Report

Wicklund asked for Commission approval of the Memorandum of Agreement (MOA) with IBEW Local #31 regarding the new high deductible health plan option beginning in 2020.

Motion by Commissioner Matten and seconded by Commissioner Wroolie to approve the Health Insurance MOA with IBEW Local #31. There was a unanimous vote in favor of the motion. Motion carried.

December 31, 2019 Regular meeting

The December Commission meeting will be changed to Monday, December 30th at 9:00 AM.

BPU Customer Handbook

The Commission thanked Julie Batters for the good job she did on creating the new customer handbook. All new BPU customers will receive it and other items in a "welcome packet."

Superintendent's Report

Water Department

• Projects

- Watermain service leak on 19th Street. Flare joint failed received assistance from the Street Department.
- South Water Tower-finishing up electric, disinfecting- on line first week in December.

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Wastewater Treatment Department

- Projects
 - Plant and Lift Station maintenance – working on defining future projects.

Electric Department

- Outages/Interruptions/Complaints
 - 10/24-failed cutout Fairview Rd, 6 meters out-16 minutes
 - 11/14-Squirrel on 5th Avenue, 10 meters out-30 minutes
 - 11/16-518 Feeder fault on pole at 115kv substation, blink on entire system in Central MN-no outages-fireball was noticeable
 - 11/16-Primary underground feed Baxter Industrial Park, 2 meters out-4 hours
- Substation-Minnesota Power

Trent Hawkinson has been working with MP employees to identify equipment ownership at the Substation. Meeting on December 20th-BPU no longer is insuring the Substation through MP.
- NEMMPA – Discussed ways to assist smaller communities with MP and other issues.

Hydro Department

- Projects
 - Flow around 6,000 cfs, 32 year average is 2,500 cfs-production is at 95%.
 - Buoys were removed from river.
 - Summer studies are complete, data being compiled, due to FERC by end of year.

Other

- Assisted with Downtown Lights and the tree on the corner of Laurel and 6th St. is becoming a challenge to hang lights.

Old Business

None

Mayor Menk left the meeting at 10:05 AM.

New Business

Presentation of 2020 to 2024 Capital Improvement Budget

Superintendent Magnuson reviewed the 2020 through 2024 capital improvement budget. The significant projects for each department for 2020 are as noted.

Electric Department – Total of \$2,287,200 for 2020

- Production System Improvements – Reclosures/VFI
- 34.5 kV Distribution Expansion Improvements
 - St. Joseph's Substation-upgrade
 - AMI upgrade
- Equipment
 - Dump truck - remount

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Water Department – Total of \$941,800 for 2020

- Well rehab
- Reclamation/Backwash Tank-debt financing
- 2 million Ground Reservoir-debt financing
- City water main projects
- AMI upgrade
- Utility vehicle
- Filter bed improvements

Wastewater Treatment Department – Total of \$1,013,000 for 2020

- Sludge recirculating/thickening pumps
- Thickening tank mixer
- SBR Impellers
- Storage Tank-debt financing
- Lift station improvements-pumps
- Lab equipment
- AMI upgrade

Hydro Department – Total of \$321,000 for 2020

- Roof repair
- Exterior paint
- Security updates – fence/gate maintenance
- Grating over turbine pit
- Generator maintenance
- FERC relicensing

Administration Department – Total of \$250,500 for 2020

- FitQuest building demolition
- Custodial/Grounds keeping equipment
- Computer system improvements

Presentation of 2020 Operating Budget

Finance Director Wicklund presented the following 2020 Operating Budget.

- Electric Department (Including Hydro) – Total revenue and expenses projected to be \$21,321,600 and \$18,707,400, respectively. Change in Net Position for 2020 is projected to be \$2,614,200. Total capital asset additions for 2019 are projected to be \$2,437,500 including share of administration. Depreciation expense for 2020 is projected to be \$2,112,000.
- Water Department – Total revenue and expenses projected to be \$3,049,200 and \$3,155,400, respectively. Change in Net Position for 2020 is projected to be a negative \$106,200. Total capital asset additions for 2020 are projected to be \$4,991,800 including share of administration with \$4,000,000 being financed with debt. Depreciation expense for 2020 is projected to be \$1,098,000.
- Wastewater Treatment Department – Total revenue and expenses projected to be \$4,254,000 and \$4,333,800, respectively. Change in Net Position for 2020 is projected to be a negative \$79,200. Total capital asset additions for 2020 are projected to be \$3,563,000 including share of administration with \$2,500,000 being financed with debt. Depreciation expense for 2020 is projected to be \$1,476,000.

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Motion by Commissioner Wroolie and seconded by Commissioner Angland to approve 2020 to 2024 Capital Budget and to approve 2020 Operating Budget. There was a unanimous roll call vote in favor of the motion. Motion carried.

Old Business

None

New Business

None

Motion by Commissioner Wroolie and seconded by Commissioner Johnson to meet in closed session for the purpose to consider or develop offers or counteroffers for the sale of land to City of Baxter related to Cypress Drive Extension pursuant to M.S. Section 13D.05, Subd.3(c)3. Motion carried at 10:50 AM.

Those in attendance at the closed session included Commissioners Angland, Matten, O'Day, Johnson and Wroolie, Mayor Menk, Finance Director Wicklund, and Superintendent Magnuson.

The Chair reconvened the meeting into open session at 11:07 AM.

Adjournment

Motion by Commissioner Matten and seconded by Commissioner Wroolie to adjourn the meeting at 11:07 AM. Meeting adjourned.

Mark O'Day, Commission President

Todd Wicklund, Commission Secretary