



# BRAINERD PUBLIC UTILITIES

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www.bpu.org

The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on November 29, 2022.

Commission President O'Day called the meeting to order.

### Commission Roll Call

Mike Angland – Present

Tad Johnson – Present

Patrick Wussow – Present

Mark O'Day – Present

Dolly Matten – Present

### Utility Staff Present

Finance Director

Recording Secretary

Wastewater Supervisor

Accounting Supervisor

Operations Manager

Todd Wicklund

Mandy Selisker

Charlie Gammon

Jana Pernula

Trent Hawkinson

### Others in Attendance

City Administrator

HR Director

Community Development Director

Jennifer Bergman

Kris Schubert

James Kramvik

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

Finance Director Wicklund noted one item to be added to the agenda under New Business, the 2023 Audit Engagement Letter from Clifton Larson Allen, LLP (CLA).

### Approval of Consent Items

**Motion by Commissioner Matten and seconded by Commissioner Johnson to approve the minutes from the October 25, 2022, regular monthly meeting, approval of current month's bills and meeting agenda. There was a unanimous roll call vote in favor of the motion. Motion carried.**

### Public Forum

- None

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

### **Commission Committee Reports**

#### Human Resource

- None

#### Finance

- Commissioner Johnson reported the Finance Committee met to discuss the 2023 budget which will be reviewed later in the meeting. Commissioner Johnson noted that it was well put together while aligning spending with other similar state and local infrastructure spending.

### **Unfinished Business**

#### Purchase of Roberts Property

- Finance Director Wicklund noted that no updates have been received on this. Project is still currently on hold.

#### Electric Service to Rotary Pavilion

- Operations Manager Hawkinson reported a meeting occurred with Mr. Winkelman who was going to bring a few items back to the Park Board. There was a decision to change the location of the solar and not have it on the building structure. The first item needed to move forward is the line extension for general service, however, clarification is needed on if any donations of time and labor will be taking place; at this time, it is looking like a Spring 2023 project. Commissioner Wussow stated that he would like to see more documentation before authorizing anything. Commission President O'Day asked if City Administrator Bergman could assist with obtaining more clarification on this. Bergman suggested a meeting with representatives of all parties involved to review and discuss necessary items. This will include City Administrator Bergman, City Engineer Dehn, Operations Manager Hawkinson, Rotary member, Park Board member and BPU Commissioner Angland. Topics for discussion include ownership, allowed method of donation, ongoing operation, and maintenance once project is complete and documentation of plans. Once a plan is created then a recommendation and options for consideration can be presented to the BPU Commission for potential reduction in labor cost.

**Motion by Commissioner Wussow and seconded by Commissioner Johnson requesting more documentation on the Rotary Pavilion Solar Project before any action is taken. The agenda item will remain on the BPU Commission agenda. There was a unanimous vote in favor of the motion. Motion carried.**

#### Sewer Line River Crossing Project

- Wastewater Supervisor Gammon reviewed the following highlights of the project:
  - New line crossing the River to replace the original two 20-inch ductile iron pipe.
  - Adding another manhole to prevent road closure and move away from property lines.
  - River side location to incorporate ease of connection, gravity, and future needs of property.
  - Primary objective is to get the crossing completed which carries all the wastewater for the City of Brainerd to our Wastewater Treatment Plant.
  - Goal to complete project before road improvement project for that area is completed.
  - Upcoming meeting with Wastewater Treatment Management Board to discuss project, related permitting, delegation, and existing agreements.

## BRAINERD PUBLIC UTILITIES COMMISSION MEETING

November 29, 2022

### New Business

#### Audit Engagement Letter

Finance Director Wicklund discussed the 2022 audit engagement documents received from Clifton Larson Allen, LLP. The master service agreement included the following proposals and cost estimates:

- Preparation of financial statements and related notes
- Preparation of required supplementary information (RSI)
- Preparation of supplementary information
- Preparation of GASB 87 lease tool, if necessary – for use with new standards for operating leases
- Preliminary cost estimate of \$26,450 plus a 5% technology fee
- Additional charge of \$1,000 for software usage of up to ten leases for GASB 87 plus \$250 per hour for assessing leases within the entity plus a 5% technology fee

Recommendation from Finance Director Wicklund to approve the audit services agreement from CLA for the 2022 Audit.

**Motion by Commissioner Wussow and seconded by Commissioner Matten to approve the audit services agreement proposed by Clifton Larson Allen, LLP for the 2022 Audit. There was a unanimous vote in favor of the motion. Motion carried.**

#### Pay request No. 12 received from Magney Construction

Pay request in the amount of \$193,282.73 was received for the water tank storage project.

Commissioner Wussow requested that this expense item be moved to the consent agenda for future meetings.

**Motion by Commissioner Wussow and seconded by Commissioner Johnson to approve pay request No. 12 to Magney Construction in the amount of \$193,282.73. There was a unanimous roll call vote in favor of the motion. Motion carried.**

#### Electronic Board Packet

Commissioner Wussow discussed the request and intent to make our packets and agendas accessible electronically to both Commission members as well as the public and have implemented by March of 2023. Wicklund will work with City staff to see if Agenda Center will work for BPU as well.

**Motion by Commissioner Wussow and seconded by Commissioner Matten to have electronic board packets in place by April 1, 2023. There was a unanimous vote in favor of the motion. Motion carried.**

#### Succession Planning

Commission President O'Day stated that he requested this item be on the agenda. With Finance Director Wicklund's retirement upcoming in 2023, O'Day would like to start talking about what the structure of BPU will look like in the future. With the City recently starting a wage study, O'Day would like to incorporate a review of BPU's structure into the study.

Commissioner Johnson asked for clarification on the intent of the structure review. Commission President O'Day discussed having the structure reviewed to determine if the Finance Director and Superintendent

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

should be co-managing BPU or if a General Manager should be incorporated. This is an opportunity to explore different options.

City Administrator Bergman reported that the timeline for the study to be completed is currently June 15<sup>th</sup>. Commissioner O'Day would like to request to have this looked at sooner to be able to incorporate Finance Director Wicklund's replacement in the intended hierarchy, whether it be the existing structure or different.

Commissioner Johnson requested to hear a succession plan from Finance Director Wicklund directly. Wicklund reported that ultimately BPU in the future needs a General Manager, with some sort of hierarchy. Most of the same or similar size utilities have gone to a structure with a General Manager. Wicklund doesn't feel much would change with operations but rather the structure at the very top and looking at the intent with the position for future. Wicklund reported his upcoming retirement is intended for late Fall of 2023 and it would make sense to bring in the new Finance Director under whichever method makes most sense going forward. Wicklund also supports this idea for reviewing the structure of BPU.

Commissioner Johnson asked for clarification if this is an additional management position or replacement. At this time, it is unknown, and it would be presented within the requested study.

Commissioner Matten inquired as to where Wicklund sees himself and his replacement falling in the structure. Wicklund commented that his thought is that it would not be adding but more so restructuring.

Commissioner Angland inquired about how this needs to work with HR and City Council stating this seems like a significant change and wants to ensure this gets off on the right foot and presented correctly. City Administrator Bergman stated that the first step is working with the consultant and reviewing their recommendations. The Council would look for the Commission's recommendations for consideration but ultimately would want to review and have the final say in the decision to restructure. Bergman agrees it falls well within the compensation study and can be presented in conjunction with the study to the Council. Angland commented that he wanted to ensure that communication is happening effectively between the BPU Commission and City Council on topics being discussed and would be a good goal for 2023 to avoid any potential noise on topics after the fact. Bergman reported that she meets with the City's Chair of Personnel and Finance the Wednesday before every City Council meeting and provides updates. Angland expressed his appreciation for the City Administrator's help with ongoing communication.

Commissioner O'Day summarized that once BPU gets options from Flaherty & Hood, P.A., the Commission can decide on what structure is best and then forward their recommendation onto the City Council for approval. Commissioner Johnson also expressed wanting City Councils' blessing before pursuing. There was a brief discussion on the authority of the Commission to engage in the study and the timing of the request with the next City Council meeting to make them aware. Bergman advised that the first step would be to reach out to the consultant to see if it could be included in the scope of the existing study and if there would be any additional charge. If there is an additional charge, the BPU Personnel and Finance committee could review and decide on a recommendation to the City Council.

**Motion by Commissioner Wussow and seconded by Commissioner Angland to recommend to City Council to amend the agreement with Flaherty & Hood P.A. to include an additional study to review BPU's organizational structure. Additional costs directly related to this study would be covered by BPU**

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

**with a requested deadline for this portion of the study to be completed by February 17<sup>th</sup> to allow time for staff time to review prior to the February commission meeting. There was a unanimous vote in favor of the motion. Motion carried.**

City Administrator Bergman today will request the following from Flaherty & Hood, P.A.:

- Would this study be an additional cost or included in the scope of their current project?
- Could this part of the study be completed by the requested February 17, 2023 deadline?

A few additional items from the Commissioners included:

- Wussow stating that if the numbers are feasible and the requested guidelines can be met, to move forward.
- Johnson requested looking at the structure of other utilities of same or similar size as BPU outside of Flaherty & Hood, P.A.
- Angland inquired if there are any other positions that should be looked at with regards to strategic hires. Finance Director Wicklund noted that within the 2023 operating budget are two additional positions: an additional operator at the Wastewater Treatment Plant and bringing back a former administrative support position to help give relief to admin staff ongoing and during absences.

### **2023 Capital and Operating Project**

Finance Director Wicklund presented both the Capital Improvement and Operating Budgets.

### **2022 to 2026 Capital Improvement Budget**

The significant projects for each department for 2023 are as noted:

#### **Electric Department – Total of \$3,043,000 for 2023**

- St. Joseph Substation upgrade - \$700,000
- 34.5 kV Distribution Expansion Improvements - \$650,000
- System Distribution Transformers - \$750,000

#### **Water Department – Total of \$3,762,000 for 2023**

- Reclamation/Backwash System Improvements - \$5,000,000
  - Included on the State's bonding bill for 2023
- City Watermain Projects – ranging from \$950,000 (2023) - \$1,500,000 (2027)
  - Total for 2023-2027 is \$5,950,000

#### **Wastewater Treatment Department – Total of \$4,133,000 for 2023**

- River Crossing from Main Lift Station - \$1,900,000
- Biosolids Upgrades Preliminary Design - \$500,000
- Storage Tank Construction/Biosolids Upgrade - \$20,500,000
  - Design (as noted above) - \$500,000
  - 2024 and 2025 - \$10,000,000 per year
- New Tractor for Biosolids application - \$210,000
- Lift Stations Improvements - \$980,000

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

### **Administration Department – Total of \$305,500 for 2023**

- Computer System Improvements - \$107,000
- SCADA Upgrades - \$100,000

### **Hydro Department – Total of \$491,000 for 2023 (included in Electric Dept above)**

- Goals for upcoming years include:
  - Turbine Modernization
  - Preparation for future staff retirements
  - Generator for Pit 6
  - Adding additional Scada features

### **2023 Operating Budget**

The highlights of the presented budget are noted below:

#### **Combined All Departments**

- Projected actual total revenue for 2022 is \$30.1 million. Budgeted revenue for 2022 is \$29.3 million and the 2023 budget total revenue is projected to be \$36.4 million which includes \$6.8 million from industrial crypto mining customers.
- Projected actual total expenses for 2022 is \$29.5 million of which the two largest items are purchased power of \$12.5 million and depreciation of \$5.2 million. Budgeted expenses for 2022 are \$28.6 million of which the two largest items are purchased power of \$12.4 million and depreciation of \$5.1 million. Budgeted expenses for 2023 are projected to be \$34.7 million with purchased power being \$17.7 million (including \$6.5 million for crypto mining) and depreciation being \$5.0 million.
- Projected actual change in net position for 2022 is \$546,000 while budgeted amount was projected to be \$623,000 million. The budgeted amount for 2023 is projected to be \$1.7 million.

#### **Analysis of 2023 Operating and Capital Budget**

- The change in net position as a percentage of total revenue for the years 2019 – 2022 is 8.7%, 8.2%, 8.0%, and 1.8%, respectively. The percentage for the 2022 and 2023 operating budget is 2.1% and 4.7%, respectively.

#### **Capital Asset Additions and Budget**

Electric – Average Capital asset additions for the years 2019-2022 was \$2.2 million with the average budget for the same time frame was \$2.7 million. Capital asset budget including share of administration for 2023 is anticipated to be \$3.2 million.

Water – Average capital asset additions for the years 2019-2022 was \$2.3 million while the average budget for the same time frame was \$4.7 million which included \$1.4 million in average net bond issuance and assessment charges. Capital asset budget including share of administration for 2023 is anticipated to be \$3.8 million.

Wastewater – Average capital asset additions for the years 2019-2022 was \$940,000 while the average budget for the same time frame was \$1.7 million. Capital asset budget including share of administration is anticipated to be \$4.2 million.

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

Commissioner Johnson requested that 2023 financial reports separate the purchase power related to the Industrial Crypto accounts. Finance Director Wicklund noted his intent to do that as well as separating the purchase power related to solar.

Recommendation from BPU staff is to approve the budget and recommend to the City Council for their approval at the December 5<sup>th</sup> meeting. Commissioners Johnson and Angland will be in attendance.

**Motion by Commissioner Johnson and seconded by Commissioner Angland to recommend to City Council the approval of the 2023 Capital and Operating Budget. There was a unanimous roll call vote in favor of the motion. Motion carried.**

### **City Administrator Report**

City Administrator Bergman reported on the following:

- MN DOT meetings continue on 210 reconstruction project scheduled for 2026.
- City Council vacated the alley on the property North of Walgreens for the My Neighbor to Love Coalition development. Conditional use permits and preliminary plats have been approved as well.
  - Operations Manager Hawkinson asked what happens with utility right of way easements in these situations. Community Development Director Kramvik stated that they remain.
- Budget workshop
  - Goal for staff is 3% levy increase from 2022 to 2023.
- Compensation Study
  - Kick off meeting for all city employees was held November 28, 2022, and was well attended
- Wastewater Treatment Management Board
  - There will be an item on the December 5, 2022, City Council meeting requesting two City Council members to reach out to Wastewater Supervisor Gammon to join the collaborative board.
- Street lighting update from Community Development Director Kramvik
  - Planning Commission along with the City Council in July passed a new zoning code
  - Color temperature is being explored as a potential standard to be built into a lighting policy:
    - Benefits for wildlife and health
    - Potentially form a workgroup to discuss policy
      - Commissioner O'Day confirmed that BPU would take part in the work group
  - Operations Manager Hawkinson verified that BPU is maintaining City's lighting system and isn't needing input necessarily on color temperature, however, being conscious of current inventory that BPU has on hand when this change occurs. Hawkinson can attend a meeting to discuss if needed.

### **City Liaison Report**

- None

## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

### **Finance Director's Report**

#### **October 2022 Financial Report Highlights:**

- Total operating revenue increased \$340,227 (1.5%) from 2021.
- Power costs increased \$434,228 (4.4%) from 2021.
- Operating and Maintenance expenses increased \$586,978 (32.0%) from 2021.
- Total operating expenses increased \$1,209,360 (5.5%) from 2021.
- Interest revenue on investments decreased \$821,154 from 2021 due to unrealized decrease in market value of CDs and government agency securities.
- Change in income before operating transfer to City and capital contributions decreased \$860,179 from 2021.
- Total investment in utility plant increased \$6.7 million from 2021.
- Total unrestricted cash and investments decreased \$7.3 million from 2021 which included \$5.8 million in water bond proceeds. Total receivables increased \$485,759 while inventory increased \$134,845 from 2021.
- Change in net position for electric department decreased \$254,873 from 2021.
- kWh sold for 2022 increased 3.5% while utility revenue increased 3.9%.
- Change in net position before capital contribution from City for Water Department is \$225,181 for 2022 compared to \$842,983 for 2021.
- Gallons of water sold (excluding sales to Baxter) decreased 38.9 million (11.3%) from 2021.
- Change in net position for Wastewater Department is a negative \$631,957 for 2022 compared to a negative \$176,697 for 2021.
- Wastewater gallons processed decreased 3.9% while utility revenue increased 0.4%.

#### **Days unrestricted cash on hand as of October 31, 2022, 2021, and 2020:**

Combined – 144, 245, and 178

Electric – 102, 121, and 117

Water – 4, 677 (includes bond proceeds), and 57

Wastewater – 402, 471, and 553

### **WWTP Solar Project Update**

Finance Director Wicklund commended Community Development Director Kramvik for his assistance with permits, zoning, and applications with AEP and the City of Baxter.

Kramvik provided the following update:

- Currently there are four separate parcels as part of the property with two different zoning classifications which would need to be updated and rezoned to Public Benefit.
- Need to go through a preliminary and final platting process, which can be done in the same meeting due to the nature of the consolidation.
- Code language for a solar array needs to be added to Baxter City Code.
- Conditional use permit would likely need to be applied for and/or an amendment in the public benefit.
- Goal for completing necessary applications and permits of January 10, 2023, with the City of Baxter.



## **BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

Finance Director Wicklund noted the size of the WWTP project is approximately 1.4 megawatts with kWh annual output of 2.45 million or about 25% of the size of the airport project. BPU would also be responsible for the removal of trees and stumps in the next four months.

Commissioner Johnson inquired on the Wright Street property for potential solar site and findings. Wicklund confirmed he did take AEP for a site visit but no further updates on that property have come forth. AEP was working on the current WWTP site and modified project to still have full tilting panels.

### Outstanding Purchase Order and Capital Project Status

Finance Director Wicklund provided a reporting update with the following details as of November 21, 2022:

- Current outstanding amount of Capital Projects with Purchase Orders - \$2,866,728
- Current outstanding amount of Capital Projects without Purchase Orders - \$2,708,713

### HR Director's Report

- Noted

Next Board meeting is scheduled for December 20, 2022.

### Superintendent's Report

Finance Director Wicklund reviewed highlights on behalf of Superintendent Magnuson.

#### Water Department

- Projects
  - Water storage tank project: First water compartment is complete. The process of leak testing and chlorination is currently happening, and work continues on yard piping.
  - Maintenance: Crews working on backflow prevention and meters.

#### Wastewater Treatment Department

- Projects
  - Plant and Lift Station maintenance
  - Upgrades to Lift Stations
  - Sludge hauling complete for 2022 season

#### Electric Department

- Outage report
  - None presented
- Crews busy working on rebuild projects, getting ready for winter construction season.

#### Hydro Department

- Generators 1, 2, 3, 4, and 5 at 100%. River at 2301 cfs.
- Will have information for turbine/pit six options at December meeting.

#### Amjet

Reaches an agreement with AmJet for gate and other related equipment AmJet installed for \$130,000. A settlement agreement has been signed and payment issued. This issue is complete.

**BRAINERD PUBLIC UTILITIES COMMISSION MEETING**

**November 29, 2022**

**Commission Members – Future Agenda Items**

- Commissioner Wussow reported on the following:
  - Requested Hydro automation, Crypto Mining projects, and succession planning be added to unfinished business.
- Commissioner Angland reported on the following:
  - Encouraged BPU to take advantage of a marketing opportunity for the Airport Solar project in some form of press release, ribbon cutting, quarterly update with Brainerd Dispatch, etc.
    - Operations Manager Hawkinson was willing to be a part of this.
- Finance Director Wicklund also noted that staff are currently tasked with completing a questionnaire related to the recent compensation study which is due in mid-December.
- Wastewater Supervisor Gammon reported on an upcoming training hosted at the WWTP:
  - Minnesota Rural Water Association training class – Engineering for Non-Engineers on December 6, 2022
- Operations Manager Hawkinson provided the following update:
  - Biweekly meeting occurring with City of Brainerd Engineer and City of Baxter staff on construction updates and upcoming road projects.

**Motion by Commission President O’Day to adjourn to the Brainerd City Council meeting on December 5, 2022, at 7:30 PM at the Council Chambers. Motion carried at 10:46 AM.**

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Mark O’Day, Commission President

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Todd Wicklund, Commission Secretary