



BRAINERD PUBLIC UTILITIES

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The regular meeting of the Brainerd Public Utilities Commission was held at 9:00 AM on April 25, 2023.

Commission President Wussow 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

Operations Manager

Wastewater Supervisor

Accounting Supervisor

Recording Secretary

Water Crew Chief

Water Service Worker

Todd Wicklund

Trent Hawkinson

Charlie Gammon

Jana Pernula

Mandy Selisker

Jason Engholm

David Nelson

Others in Attendance

City Administrator

HR Director

City Liaison

Clifton Larson Allen, LLP (CLA)

Jennifer Bergman

Kris Schubert

Jeff Czczok

Mary Reedy

Commission President Wussow opened the meeting with the Pledge of Allegiance.

Approval of Consent Items

Motion by Commissioner Johnson and seconded by Commissioner O’Day to approve the minutes from the March 28, 2023, regular monthly meeting, approval of current month’s bills, approval of the agenda and approval of Pay Requests No. 16 and No. 17 received from Magney Construction for \$424,195.21 and \$94,943.00, respectively, for Water Tank Storage Project. There was a unanimous roll call vote in favor of the motion. Motion carried.

Public Forum

None

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

April 25, 2023

Commission Committee Reports

Personnel

- None

Finance

Commissioner Johnson reported the finance committee met to review the Representation Letter and draft of the Audit Report from CLA. Johnson reported both looked good and were approved by the committee with reliance being placed on CLA and Finance Director Wicklund relating to bond pension funds to ensure those are conforming with current accounting principles.

Unfinished Business

- See related staff report.

Additional discussion included:

- Hydro Automation
 - Staff requested more concise cost estimates on options 1 and 3 selected by the Commission and staff will work with Barr Engineering to get that information for the May or June Commission meeting.
 - The process of obtaining the 40-year license from FERC is close to completion.
 - Audit of the Hydro facility occurs every five years and was projected for the Fall of 2023, however, BPU is in the process of filing an extension which will likely push it into 2024.
- Crypto Mining Projects
 - JFK
 - Several BPU staff toured the building on Kitty Hawk Drive.
 - Pricing information is currently being provided to JFK with various length terms.
 - Finance Director Wicklund stated he communicated that their contract, including deposit, needs to be finalized prior to signing any pricing agreement greater than one month.
 - Market energy prices have been down this spring but with the start of summer prices are expected to rise.
 - VCV
 - Currently working on designing of building on the north lot in the Industrial Park.
 - BPU to limit load to 25 MW for VCV.

New Business

- 2022 Audit Presentation by Mary Reedy, Principal with Clifton Larson Allen, LLP (CLA)
 - See board packet for 2022 Financial Report

Motion by Commissioner Johnson and seconded by Commissioner Angland to approve and accept the 2022 Financial Audit as presented. There was a unanimous vote in favor of the motion. Motion carried.

- Consideration of Electric Cost of Service and Rate Design recommendations prepared by Utility Financial Services (UFS).
 - Presentation given by Dan Kasbohm on potential rate design options.
 - See the Board packet for presentation and related memo.

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

April 25, 2023

- Discussion included:
 - Design and projections presented included both with and without industrial load (Crypto Mining) business.
 - The proposed Cost of Service included a three-year option to increase to target base charge.
 - Finance Director Wicklund reported that the last study Cost of Service Study was done in 2017.
 - Consensus of the Commission was to remove the Crypto load, review raw data and consider adjustments based on current rates, loads, and expenses. It was noted that the current load of the two Crypto mining accounts is unpredictable and not ideal for rate adjustments and projections.
 - Recommendations included:
 - Revenue increase of approximately 1.0% in 2023.
 - Bond issue of \$2.0 million in 2024 to support capital program.
 - Adjust monthly charges towards cost of service.
 - Ability to reduce class to class subsidies utilizing a bandwidth of +/- 1.0% (no customer class will see an increase less than 0% or over 2.0%)

Motion by Commissioner O'Day and seconded by Commissioner Johnson to exclude Crypto from all rate design projections and proceed with a 1 - 1 ½% overall increase to be divided among all rate classes. There was a unanimous vote in favor of the motion. Motion carried.

- Public Utilities Work Group Report
 - See board packet for work group reports from April 12 and April 20, 2023 meetings.
 - HR Director Kris Schubert reviewed the recommendations that came from the Public Utilities Work Group:
 - Interviews were conducted with three internal applicants. Applicants were ranked and the recommendation from the work group was to offer the new Public Utilities Director position to Todd Wicklund effective May 2, 2023.
 - The offer was extended to Wicklund at his current rate due to the current compensation and classification study with Flaherty & Hood, P.A. and to not further complicate the pay equity results until the study is complete. Wicklund agreed with the offer with the caveat that he would like to maintain his fully paid health insurance. The work group agreed with this offer.
 - The Finance Manager (or appropriate title) position would need to be created and is being evaluated within the compensation and classification study to be able to start the hiring process for this position.
 - The current Superintendent and Finance Director positions are being eliminated with this action pending Commission recommendation and Council approval on May 1st, 2023. Positions would be eliminated as of May 2, 2023, which would then result in the termination of Mr. Magnuson following his paid administrative leave which began April 19th, 2023.
 - A severance package in return for a full release of claims was proposed by the work group to include six months' salary in addition to the payout of his accrued, unused sick leave balance. As part of a regular separation of service for an

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

April 25, 2023

employee in good standing, Mr. Magnuson will also receive his accrued, unused vacation time in addition to the proposed severance package.

Motion by Commissioner O’Day and seconded by Commissioner Matten to recommend to City Council the appointment of Mr. Todd Wicklund to the Public Utilities Director effective May 2, 2023 at his current wage and to continue his fully paid health insurance, create a BPU Finance Manager (or appropriate title) position and start the hiring process, eliminate the BPU Superintendent and BPU Finance Director/Secretary positions, terminate Mr. Scott Magnuson effective May 1, 2023 and recommend approval of a severance agreement for Mr. Magnuson passed on the terms identified in the Public Utilities Work Group’s recommendation. There was a unanimous vote in favor of the motion. Motion carried.

- Discussion included:
 - Commissioner Angland inquired about what it means after the restructuring and how does that (Finance) department look and noted it would be helpful to know what the organization chart looks like and how it works with our existing staff. Angland also inquired on who is taking on the day to day of Mr. Magnuson’s responsibilities.
 - HR Director Schubert replied that Scott is leaving in good standing, hence why the staff is working with him on the separation agreement. Mr. Magnuson didn’t do anything wrong; staff ultimately decided to go in a different direction.
 - Commissioner Johnson commented on several items:
 - Severance package seems large for being at no fault.
 - Assumed as of the last meeting that the restructuring meant finding positions to relocate existing employees to within the next level rather than terminations.
 - City Administrator Bergman answered by reviewing the process originally requested and then further discussing the goals of the restructuring of the organizational chart.
 - BPU requested looking at two top positions, with the consensus and recommendation of Flaherty and Hood, P.A and the Public Utilities Work Group to go to one top position. The work group worked through applications and interviews and made a recommendation. The discussion on that next level of leadership including Operations Manager, Wastewater Supervisor, etc. has occurred but lies in what does the new Public Utilities Director and the Commission want that structure to look like and that is where staff is currently. The Water Supervisor position may or may not be an available position once the organizational chart has been reviewed by the Public Utilities Director based on the needs of the department.
 - How is this being communicated to all staff.
 - City Administrator Bergman reviewed their communications through this process; BPU Commission President Wussow, HR Director Schubert and City Administrator Bergman met with Mr. Magnuson following the work groups recommendations. A meeting was then conducted with BPU supervisors, followed by an email to all BPU staff.

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

April 25, 2023

- Commissioner Johnson reiterated that he wants to make sure that all workers are informed, on board, and aware of the situation and the benefits that will come from it as agreed on by all parties involved. What is the plan to get the staff on board?
- Commissioner Angland inquired from a communications standpoint, what is the best way to communicate with BPU staff.
 - Finance Director Wicklund noted that once all recommendations have been approved to have a meeting to discuss.
- BPU Water Service Worker, David Nelson, commented that the best way to communicate to BPU staff would be a meeting.
 - Johnson reiterated that BPU will have an all-employee meeting. Finance Director Wicklund agreed.
- Commissioner Matten recapped the flow chart presented at the previous meeting and removing the individuals to focus on the positions noting potentially four divisions; Finance, Electric, Water, and Wastewater and this restructure giving clarity to who is giving direction within each department. Additionally, Matten noted, it was communicated that through this process that the intention was to eliminate the Superintendent position regardless of who was promoted to the new position.
- Commission President Wussow commented that Wicklund has chosen to delay his retirement and regarding the severance package, upon leaving employment employees under certain conditions may be eligible for the balance of their vacation and sick leave, which is part of the balance. Commission O'Day and Wussow mentioned the City has had prior situations that have ended in severance packages as well.

City Administrator Report

City Administrator Bergman reported on the following:

- City Council discussed three parks and potential development of those which include Trailside, portions of Buffalo Hills, and Gustafson Parks. Discussion will continue with the Park Board.
- BPU Banner Policy was reviewed and noted by City Council.
- Safe Routes to School – Harrison is a project that will be occurring this summer. The project is currently out for bids with a May 5th deadline.
- Sealcoat project was awarded to Asphalt Surface. This will be for College Drive and South 4th from College Drive to Willow.
- City Council authorized Christmas Lights with the decision to just put them downtown.
- Dunmire's property was reviewed by the Council and the decision was made to annex the property into the City of Brainerd and then also detach a portion of his property, which may be used for mini storage. Mini storage is not allowed in that part of the City of Brainerd. All parties seemed agreeable.
- John Davis was promoted as the new Police Chief which left the Deputy Chief position open. Tony Runde was hired into this position with a June 3rd effective date.

City Liaison Report

City Liaison Czczok reported on the following:

- Expressed concern based on the prior Bolton & Menk report regarding the copper limit.
 - Wicklund reported that different materials can be used inside homes. From the curb stop to the meter is still mandated as copper but may need to be reviewed for future projects.

BRAINERD PUBLIC UTILITIES COMMISSION MEETING

April 25, 2023

- Wussow noted that from the presentation, he took away that the newer developments did not have a concerning amount of copper.
- BPU Commission and City Council joint meeting is still outstanding and am hoping to see that coming soon.
 - City Administrator Bergman noted that target dates will be for June or July but will need to work internally to schedule.

Finance Director's Report

- See related report.
- The City is nearing the payout timeline for the IAFF lawsuit settlement and per the Commissions prior approval, BPU will be issuing a loan payment of \$1,000,000 at 3% interest for 10 years to the City. City Staff have indicated that they are hoping the payoff can be sooner than 10 years. Payout will occur in the next few days.

HR Director's Report

- See related report.

Commission Members – Future Agenda Items

- Commissioner Wussow reported on:
 - May 11th will be the next meeting of the Wastewater Treatment Plant (WWTP) Joint Management Board.
 - MMUA Conference is in Duluth on August 21-23.
- Commissioner Matten reported on:
 - Commissioner Angland and Matten attended the recent Bolton & Menk copper presentation. Matten reported is was good information and would like to for the board to be a part of this. Bolton & Menk are currently working on putting together numbers on their options to review.
 - Matten would like to see a brief update or presentation included with the May 30th meeting.
 - June 12th was noted as a potential joint BPU Commission and City Council meeting date.
- Commissioner Angland inquired on:
 - Ribbon cutting for the Airport Solar Project
 - Operations Manager Hawkinson noted that AEP would need to be involved and he will take this as an action item.

Next Board meeting is scheduled for May 30, 2023.

Adjournment

Motion by Commissioner Matten and seconded by Commissioner Angland to adjourn the meeting.
Motion carried at 10:46 AM.

Patrick Wussow, Commission President

Todd Wicklund, Commission Secretary