

**SAUK CENTRE CITY COUNCIL
SAUK CENTRE PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
WEDNESDAY, JANUARY 30, 2013**

1. CALL TO ORDER/ ROLL CALL/ PLEDGE OF ALLEGIANCE

The Sauk Centre City Council and Sauk Centre Public Utilities Commission met in a Special Meeting on Wednesday, January 30, 2013 at 5:00 p.m. in the City Hall Council Chambers pursuant to due notice being given thereof. Present were Mayor Brad Kirckof, Council Members David Thomas, Keith Johnson Warren Stone, and Mike Olson and members of the Public Utilities Commission Dennis Rykken, President and Commissioners Mike Bick, Roy Walz, and Ted Spanier. Absent was Commissioner Bullard. Also present were City Administrator Vicki Willer, City Planner Sarah Morton, City Engineer Keith Yapp and Superintendent Marty Sunderman, Office Manager Mark Rachey and Electrical Supervisor John Egan. Mayor Kirckof presided thereat.

2. APPROVAL OF AGENDA

The Agenda was approved by general consent.

3. DISCUSSION ITEMS

- a. Utility Superintendent Marty Sunderman provided the Council with the recently adopted Sauk Centre Public Utility Commission's Mission Statement, Vision Statement and Core Values. Councilman Olson advised the Commission to develop goals that can be measured to determine success. Rykken added that they have developed a work plan.
- b. Sunderman provided the Council with a Resolution they will be submitting to the Federal Legislature regarding its proposal to eliminate the tax exemption on municipal bonds. Willer explained that the holder of tax exempt bonds does not have to pay income tax on the interest earned on the bonds and it is this exemption that makes it possible to garner low interest rates on bonds for improvement projects. The City will be also acting on the Resolution at an upcoming meeting.

Sunderman also explained to the Council that there is a proposal on the floor to increase the rate for Federal Power. Currently, the City is locked in with WAPA; however the Federal Government is looking for ways to get a piece of the pie.

- c. Sunderman provided the Council with a four year history of the transmission costs charged to the City by Xcel Energy to get the purchased power to the City station.

2010 = \$189,000
2011 = \$421,000
2012 = \$524,000
2013 = \$645,000 (est).

Increases in transmission line costs alone is the main driver resulting in a 6.8% increase in electric costs for 2013.

The City is on track to reach the mandate that 25% of our power is renewable power by 2025. This is mainly through hydro and wind. The City also is required to make a 1.5% reduction in electrical load per year. This has historically been achieved by Wastewater Treatment Plant conservation, Water Plant conservation, customer lighting projects, providing CFLs to customers and through the use of an energy conservation expert.

- d. Sunderman provided the Council with the annual donated labor to the City calculation for 2010 at \$28,367 and 2011 at \$30,759. He added that the Utility and City workers work well together and anticipates that to continue. Mayor Kirckof encouraged the Utility to contact the City whenever they need an extra hand. It was also noted that with the addition of a Master Electrician at the Utility that the City can save on electrical repair costs through shared labor.
- e. Administrator Willer updated the Council on the billings and collections for the Stormwater Utility noting that there are three vacant homes currently on the no-pay list plus two others who have not paid. Otherwise the billings and collections are in line with approximately \$60,000 billed and collected in the first four months.
- f. Sunderman explained the process and costs involved with painting the water tower in 2013. The bid cost is \$518,050 plus engineering of \$60,000 (\$20,000 design and \$40,000 inspection) and \$4,000 to be paid by Stearns County for antenna work. The tower will be painted inside and outside with all welds checked and repaired if necessary. The tower will be tented to avoid overspray on residences. The project will last two months.
- g. Sunderman explained that the Utility is undertaking some load management upgrades in the next eighteen months. They will be going into approximately 800 homes or businesses that have off-peak and will be installing a remote system where they can send and receive through RF signals. Total cost of \$123,600.

Part of the long range plans for the PUC also includes upgrades to the transformers at the substation with the possibility of adding a transformer. They are also within the five year planning window of adding a new substation to serve the north end of town. The preferred location from a business point of view is directly behind the current utility office. Members of the Council noted that from a political point of view this may not be the best location and that a location near the Public Works facility or water plant may be a better choice.

- h. Willer shared the City's long range Capital Improvement Plan for street improvements adding that the City will provide plans to the Utility well in advance of any planned improvements for consideration of needed infrastructure upgrades such as water and sewer mains. It was noted that the City will be updating this Plan.

- i. John Egan, Electrical Supervisor discussed possible LED upgrades to the City's street lighting adding that the costs have been dropping and that in a couple years we could be looking at some replacements. He has been following the market and will keep the City informed. Currently pricing and quality of the LEDs are an issue. The City would like to realize savings in electrical costs through the introduction of LED lighting with the thought that the lights will pay for themselves over a period of years. The City's electrical cost for street and stop lights of 2012 was \$48,619.17.
- j. Willer updated the Commission and Council on the Airport Master Plan and its affect on the Utility. The City is required to identify "Wildlife Attractants" and access issues. The sludge hauling could be perceived as an Attractant and the access needs to be addressed. Sunderman stated he would prefer gates and fences rather than elimination the access roads which they use for sludge hauling. Willer stated she doesn't see either of these issues to be problematic, however, wanted the PUC to be aware of them.
- k. Willer provided the Council and Utility with an update on the cost to date of the 4th Street Project. Expenses to date are \$1,823,938.56. The PUC share is estimated at \$304,518.15 to be paid in 2013 upon substantial completion of the project.

Yapp added that the contractors are expected to begin work early in the year for Phase 2. They have indicated they may bring in more than one crew to get the work done in a couple months. This may impact the staff at the Utility as far as hook ups to the water and sewer. More will be known in the coming months.

- l. The Council was provided a hydrant cost analysis depicting the replacement cost and depreciation costs of the 268 hydrants in the water system at \$14.75 per month each. The City currently pays a fee to the utility for use of the hydrants for fire department access at \$1.00 per month each which has been the same for the past thirty years. The Utility is recommending that the fee be raised by \$1 per year per hydrant for five years. This will help cover the costs of replacing the hydrants as it becomes necessary along with annual maintenance. Of the 268 hydrants approximately 80% are beyond their useful life. Currently one is replaced every 1.5 years.

The Council questioned raising the fee to the City who in turn has to levy or should the Utility include the fee in the water bill. The PUC feels that the cost is a fire protection cost and not a water utility cost and therefore should be a cost born by the City.

Kirkof noted that this is another cost increase to the citizens who already have a 3% increase in water rates, 6% increase in sewer rates, and 6.8% increase in electrical rates and asked how the reserves fit in and how the PUC decides when to draw on the reserves. Sunderman explained that they currently have \$600,000 in the Water Fund, \$1.4 Million in the Sewer Fund which is being drawn on to reduce the increase in rates as a result of the new Plant and \$3.5 Million in the Electric Fund. This represents about a three month reserve.

The Water Fund will be borrowing money from the Electric Fund for the water tower project rather than seeking outside funding. The Utility self-insures the poles and lines so there is a need for a large electric reserve in the event of a disaster where FEMA funds are not available.

4. ADJOURNMENT

A motion was made by Council Member Stone and was seconded by Council Member Olson to adjourn the meeting. A vote being recorded as follows: For: Council Members Thomas, Johnson, Stone, Olson and Mayor Kirckof. Against: None. The motion passed.

With no further business, Mayor Kirckof adjourned the meeting at 6:56 p.m.

Respectfully submitted,

Mayor Brad A. Kirckof

City Administrator Vicki M. Willer