ELK RIVER MUNICIPAL UTILITIES
REGULAR MEETING OF THE UTILITIES COMMISSION
HELD AT THE FIELD SERVICES BUILDING

August 13, 2024

Members Present:	Chair John Dietz, Vice Chair Mary Stewart, Commissioners Paul Bell, Matt Westgaard, and Nick Zerwas
ERMU Staff Present:	Mark Hanson, General Manager Sara Youngs, Administrations Director Melissa Karpinski, Finance Manager Tony Mauren, Governance & Communications Manager Tom Geiser, Operations Director Chris Sumstad, Electric Superintendent Mike Tietz, Technical Services Superintendent Dave Ninow, Water Superintendent Jenny Foss, Communications & Administrative Coordinator Megan Zachman, HR Generalist
Others Present:	Amy Schmidt, Attorney; Sarah Towne, Consulting Manager with Baker Tilly; Cal Portner, City Administrator

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

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the August 13, 2024, agenda. Motion carried 5-0

1.4 Recognition of Employee Longevity – Melissa Karpinski, 8 years

Mr. Hanson expressed his appreciation for Finance Manager Melissa Karpinski's eight years of dedicated service to the organization. He particularly commended her for her hard work, highlighting her diligence and perseverance in handling specific tasks assigned to her. Mr. Hanson also conveyed his hope that Ms. Karpinski will continue to be a valued member of ERMU for many years to come.

Ms. Karpinski expressed her gratitude and affirmed her commitment to continue working for such a great organization.

There was a round of applause.

2.0 CONSENT AGENDA (Approved By One Motion)

Moved by Commissioner Zerwas and seconded by Commissioner Bell to approve the Consent Agenda as follows:

2.1 Check Register – July 2024
2.2 Regular Meeting Minutes – July 9, 2024
2.3 2024 Second Quarter Utilities Performance Metrics Score Card Statistics
2.4 2024 Second Quarter YTD Earned Sick and Safe Time Usage
2.5 Bond Trust Services Corporation Agreement

Motion carried 5-0.

3.0 OPEN FORUM

No one appeared for open forum.

4.0 POLICY & COMPLIANCE

4.1 Commission Policy Review – G.2g - Commission Committees

Mr. Mauren presented his memo regarding G2g – Commission Committees. There were no recommended changes from staff. Commissioners did not have any comments, questions, or changes.

5.0 BUSINESS ACTION

5.1 2024 Compensation Study Update

Mr. Hanson presented his memo on the Compensation Study, providing the commissioners with a comprehensive overview and seeking approval on three key areas: the pay plan, implementation scenario, and implementation date.

Mr. Hanson addressed the confusion around the term "market-leading" and responded to the Commission's request for additional information on performance-based compensation (PBC) programs from comparable utilities. Mr. Hanson also compared ERMU's Utilities Performance Metric Incentive Compensation (UPMIC) program with these PBC programs. Mr. Hanson noted that any desired modifications to the UPMIC could be discussed during the current meeting or deferred to the Wage & Benefits Committee.

Chair Dietz inquired about the deadline for UPMIC changes.

Mr. Hanson responded that December’s commission meeting would be the appropriate time to propose changes for approval.

Chair Dietz emphasized that although he may not always agree with what is presented, it does not diminish his respect for the organization or his appreciation for the work involved. He continued that he supports a market-leading, 7-step pay plan but also expressed disappointment that there wasn’t more detailed information from the comparable utilities regarding their PBC programs.

Mr. Hanson noted that PBC information can be hard to obtain, noting other organizations are not always willing to share their program details.

Chair Dietz disagreed with the statement that ERMU is not considered market leading without an approved compensation plan and performance incentives. He sought clarification from Ms. Towne, asking if the proposed pay plan was market leading. Ms. Towne confirmed it was, but only in terms of base pay.

Mr. Hanson clarified that the proposed pay plan, while slightly market-leading, would position ERMU around fourth among 10 comparable utilities, being only 2% above the average.

Chair Dietz expressed interest in revisiting the UPMIC details through the Wage & Benefits Committee before the December 31 deadline.

Commissioner Bell stated he supported a market-leading, 7-step pay plan and suggested rolling the UPMIC payout into the base pay calculations thereby removing it from being its own separate compensation item. There was discussion.

Commissioner Westgaard emphasized the importance of an incentive plan like UPMIC for driving behavior and aligning with the organization's mission, vision, and values. He supported a market-leading pay plan with an end of August start date and agreed that the UPMIC should be reviewed by the Wage & Benefits Committee.

Commissioner Stewart supported keeping the UPMIC as a rallying point for employees but was open to reviewing the program.

Commissioner Zerwas supported the market-leading, 7-step plan with a current step implementation and considered whether it was better to begin the pay plan in August or wait until January 1, 2025. He agreed on reviewing the UPMIC and suggested involving the management team in discussions with the Wage & Benefits Committee, although he was not inclined to roll it into the base pay rate, as suggested by Commissioner Bell.

The Commission reached a consensus on a market-leading, 7-step pay plan with a current step implementation scenario, and an August 27, 2024, start date, provided it stays within the $135,000 budgeted for 2024.

Commissioner Westgaard sought confirmation that the August 27, 2024, implementation would not exceed the budget amount.

Mr. Hanson confirmed indicating it would actually come in under budget.

Commissioner Bell requested assurance that the UPMIC will be brought back to the Commission for discussion before December 31, 2024.

Mr. Hanson confirmed that it would.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the market leading 7-step pay plan, current step implementation scenario, and August 27, 2024, implementation date. Motion carried 5-0.

Commissioner Bell excused himself from the meeting at 4:03pm.

5.2 **Financial Report – June 2024**

Ms. Karpinski presented the June 2024 Financial Report.

Ms. Karpinski noted that both electric and water usage decreased in June due to cooler, wetter weather. Despite the reduced usage, she reported that sales remain favorable to budget.

Ms. Karpinski reported that the actual Energy Adjustment Clause (EAC) is less than what ERMU's power provider had budgeted, resulting in the Power Cost Adjustment (PCA) aligning with the EAC.

Chair Dietz sought clarification on whether Transmission, Distribution, Maintenance, Customer Accounts, and Administration expenses are primarily wage related.

Ms. Karpinski explained that while certain general ledger accounts in these areas may include labor costs, not all the expenses are related to wages.

Chair Dietz asked Mr. Ninow if a significant project was driving the healthy water connection fees.

Mr. Ninow confirmed that two specific projects were major contributors.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to receive the June 2024 Financial Report. Motion carried 4-0.

5.3 **2024 Second Quarter Delinquent Items**

Ms. Karpinski presented the 2024 Second Quarter Delinquent Items.

Chair Dietz asked for clarification of the collections process.

Ms. Youngs explained the various methods for debt collection outlined in the memo. She emphasized that revenue recapture is the most favorable approach for the organization.

Chair Dietz inquired about the collection agency’s commission.

Ms. Youngs explained that the agency’s fee is 35% of the amount collected.

Ms. Youngs elaborated on the benefits of revenue recapture, referencing her staff update and the recent clean audit.

Moved by Commissioner Westgaard and seconded by Commissioner Zerwas to approve the 2024 second quarter delinquent items. Motion carried 4-0.

5.4 **2025 Annual Business Plan: Travel and Training; Dues, Subscriptions, and Fees Budget**

Ms. Karpinski presented the 2025 Annual Business Plan, specifically focusing on the Travel and Training; Dues, Subscriptions, and Fees Budget.

Ms. Karpinski highlighted a minimal increase compared to the 2024 budget, primarily due to the addition of Advanced Metering Infrastructure (AMI) training and an Adobe Sign subscription to facilitate electronic signatures.

Chair Dietz sought confirmation that there were no significant overall increases in the proposed budget.

Ms. Karpinski confirmed this.

5.5 **Award of East Substation Bid**

Mr. Tietz presented his memo on the East substation bid opening. The formal bid notice was issued on June 26, 2024, with two bids submitted and opened on August 1, 2024. Following due diligence, ERMU’s substation engineering contractor, DGR Engineering, recommended awarding the contract to WEG Transformers USA, LLC for $1,535,200.

Mr. Tietz noted that while the contract amount exceeds the original project estimate by $35,200, WEG can meet the required delivery date with a unit manufactured and assembled in the United States.

Chair Dietz asked how the requested delivery date was determined.

Mr. Tietz responded that it was based on the date ERMU anticipates new customers would be bringing significant energy needs to the system.

Mr. Tietz corrected an error in his memo, clarifying that $1.15 million will be paid in 2024 as budgeted, with the remaining balance to be billed in 2026 upon delivery of the transformer.

Moved by Commissioner Stewart and seconded by Commissioner Zerwas to accept WEG Transformers USA, LLC bid for transformer and award contract contingent upon final review by legal counsel. Motion carried 4-0.

5.6 **Future of ERMU Power Plant**

Mr. Hanson presented his memo on the future of the ERMU power plant, emphasizing that it is intended for discussion only. However, should the Commission wish to provide guidance, staff will proceed accordingly.

Chair Dietz inquired about the possibility of selling the engines, either as whole units or for parts.

Mr. Hanson responded parties could be interested in operating them elsewhere or they may end up being sold as parts.

There was discussion.

Commissioner Stewart requested confirmation that the engines were fully depreciated.

Ms. Karpinski confirmed this.

Chair Dietz inquired about the disposal of unused diesel fuel. There was discussion about options for disposal.

The commissioners agreed to proceed with the decommissioning of the plant.

Mr. Hanson stated that, given the significant value of the asset, he would return at a future commission meeting with an official resolution for the plant's decommissioning, and plans for the disposal of assets as well as on going use of the building.

Chair Dietz then inquired about the amount of staff time dedicated to the plant. Mr. Tietz explained that three staff members are present when the engines are run, totaling approximately four hours per month.

5.7 Field Services Building Project Closeout

Mr. Hanson presented a memo on the closeout of the Field Services Building project and requested specific direction from the commission based on the information provided. He noted that ERMU is withholding $250,000 from the final invoice due to several issues outlined in the memo. ERMU's attorney recommends entering negotiations with the contractor's attorney, as it is unlikely the contractor will agree to the full deduction.

Chair Dietz asked for confirmation that the contractor did not provide lien waivers. Mr. Hanson clarified it was the IC-134 forms that were missing.

Commissioner Zerwas stated that at some point the Commission and staff should be able to have, under Minnesota Data Practices Law, a closed meeting with ERMU's attorney to discuss potential litigation.

Mr. Hanson confirmed this, adding he was advised by ERMU's attorney that there needs to be a threat of a lawsuit or an actual settlement to bring before the Commission.

Mr. Hanson also clarified that the 1% retainage must be released if the subcontractor has certified that they have met their Minnesota withholding tax requirements. There was discussion.

Mr. Hanson noted that discussions are ongoing between attorneys and both sides are working towards a friendly resolution.

Commissioners reached consensus to allow the attorneys for both parties to continue with the negotiations.

Chair Dietz inquired if legal fees are being charged to the legal expenses budget.

Ms. Karpinski confirmed they are.

6.0 BUSINESS DISCUSSION

6.1 Staff Updates

Mr. Hanson noted he will be out of the office leading up to Minnesota Municipal Utilities Association's Summer Conference.

Mr. Mauren discussed a recent partnership with the Elk River Police Department in which Seargeant Zabee provided active workplace threat and de-escalation training for both field and office staff. Mr. Mauren noted that this was a great opportunity and was well received by all staff.

Chair Dietz requested a brief update on the AMI project.

Mr. Tietz reported that residential water meter installations are ongoing, with only 12 valve repairs needed so far. Allegiant expects the installation to be completed within the next 4-5 months. Additionally, ERMU received notice that 3,000 residential electric meters are scheduled for delivery in October, which will be sufficient to initiate the electric meter installation phase of the AMI project.

Chair Dietz asked if residential electric meter installation can be carried out during the winter months.

Mr. Tietz confirmed they can.

Chair Dietz inquired about customer response to the AMI meter installations to this point.

Ms. Youngs has received positive feedback about the professionalism of the Allegiant staff but noted there have been a few minor instances of technicians not paying attention to detail.

Commissioner Westgaard noted that during Night to Unite, water meter installation was a popular topic. He stated customers did not have complaints but rather questions on what to do when a technician came to their home but couldn't change out the meter due to its challenging location.

Ms. Youngs stated ERMU staff have been assisting Allegiant with the challenging meters and if customers have questions, they can always call ERMU.

Mr. Hanson reiterated that Allegiant makes the first attempt to change the meter but if they cannot complete the work safely or expeditiously, they turn it back to ERMU staff to complete the work.

6.2 **City Council Update**

Commissioner Westgaard provided a City Council update.

6.3 **Future Planning**

Chair Dietz announced the following:
a. Regular Commission Meeting – September 10, 2024
b. Quorum – MMUA Summer Conference, August 19-21, 2024 – Fargo/Moorhead

c. 2024 Governance Agenda

6.5 **Other Business**

There was no other business.

7.0 ADJOURN REGULAR MEETING

Moved by Commissioner Westgaard and seconded by Commissioner Zerwas to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 4:56 p.m. Motion carried 4-0.

Minutes prepared by Jenny Foss.

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John J. Dietz, ERMU Commission Chair

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Tina Allard, City Clerk