ELK RIVER MUNICIPAL UTILITIES
SPECIAL MEETING OF THE UTILITIES COMMISSION
HELD AT UTILITIES CONFERENCE ROOM

November 12, 2024

Members Present:	Chair John Dietz, Vice Chair Mary Stewart, Commissioners Paul Bell, and Matt Westgaard
Present via Teams:	Commissioner Nick Zerwas participated in the meeting via interactive television as he was out of the state at the time of the meeting.
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 Megan Zachman, Human Resources Generalist Jenny Foss, Communications & Administrative Coordinator Jeff Murray, Electrical Technician
Others Present:	Jared Shepherd, Attorney; Cal Portner, City Administrator

1.00 GOVERNANCE

1.01 Call Meeting to Order

The regular meeting of the Utilities Commission was called to order at 3:30 p.m. by Chair Dietz.

1.02 Pledge of Allegiance

The Pledge of Allegiance was recited.

1.03 Consider the Agenda

There were no additions or corrections to the agenda

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the November 12, 2024, agenda. Motion carried 5-0

1.04 Recognition of Employee Longevity – Jeff Murray, 20 years

Mr. Geiser presented Mr. Murray to be recognized for 20 years of service with ERMU and its customers. Mr. Geiser explained that Mr. Murray has served multiple roles, eight years as a locator, 2 years with the bore rig crew, and the last ten as a meter technician, while being a great member of the team throughout.

The Commission congratulated Jeff and presented him with his Longevity Pay Benefit check. There was a round of applause.

2.00 CONSENT AGENDA (Approved By One Motion)

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve the Consent Agenda as follows:

2.01 Check Register – October 2024
2.02 Special Meeting Minutes – October 8, 2024
2.03 2024 Third Quarter Utilities Performance Metrics Scorecard Statistics
2.04 2024 Third Quarter Year-to-Date Earned Sick and Safe Time Usage
2.05 2025 Wire Bid

Motion carried 5-0.

3.00 OPEN FORUM

No one appeared for open forum.

4.00 POLICY & COMPLIANCE

4.01 Commission Policy Review – G.3a – Controlling Authority

Mr. Mauren presented his memo regarding G.3a – Controlling Authority. There were no recommended changes from staff. Commissioners did not have any comments, questions, or changes.

4.02 Competitive Rates Analysis

Mr. Hanson presented his memo, explaining that the comparative rate analysis goes through 2023, and that with ERMU's zero percent electric rate increase in 2024 and another proposed in 2025, we will likely start to move below the 75th percentile range for electric rates over the next few years.

Commissioner Bell noted ERMU's commercial electric rate is higher than other comparable utilities.

Mr. Hanson confirmed this and stated ERMU is most competitive in its industrial rates, while higher in commercial rates. He went on to reiterate how 0% electric rate increases in 2024 and 2025 would bring those rates down relative to other utilities.

Mr. Hanson then described water rates, noting ERMU has relatively low rates compared to its peers. He explained staff would be proposing stratified increases for 2025; 1 percent for tier one, 2 percent for tier two, and three percent for tier three along with a two percent increase in the base rate for all customers. Mr. Hanson explained this structure is intended to encourage customers to use water efficiently

Moved by Commissioner Bell and seconded by Commissioner Stewart to approve the Competitive Rates Analysis. Motion carried 5-0.

5.00 BUSINESS ACTION

5.01 Financial Report – September 2024

Ms. Karpinski presented the financial report, explaining that while electric usage was down so too was purchased power and the Energy Adjustment Clause passed on to ERMU by the power provider. Ms. Karpinski added there had been an increase in Miscellaneous Revenue.

Ms. Karpinski continued that the water budget is doing well with high Water Access Charges and that trends are pointing to a good year for the department. There was discussion.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to receive the September 2024 Financial Report. Motion carried 5-0.

5.02 2025 Annual Business Plan: Rates and Review, Stakeholder Communication Plan, CIP Budget

Ms. Karpinski presented this portion of the business plan which is to be approved in its entirety by the Commission in December. For November staff presented a proposed zero percent electric rate increase with stratified water increases; 1 percent for tier one, 2 percent for tier two, and three percent for tier three along with a two percent increase in the base rate for all customers.

Ms. Karpinski also noted an increase in investment income following the recommendation presented to the Financial Reserves & Investment Committee in 2023 to adjust those funding levels.

5.03 2025 Utilities Fee Schedule

Ms. Youngs presented the proposed 2025 Fee Schedule for Commission approval, allowing it to then be adopted by Council and added to the City's Master Fee Schedule.

Ms. Youngs explained that staff worked hard to minimize the fee increases for streetlights by sourcing lower costs poles that were suitable.

Moved by Commissioner Westgaard and seconded by Commissioner Bell to approve the 2025 Utilities Fee Schedule for Adoption into Ordinance by the City Council. Motion carried 5-0.

5.04 **2024 Third Quarter Delinquent Items**

Ms. Karpinski presented the year-to-date delinquency numbers, noting staff does a good job recouping delinquent funds. There was discussion.

Moved by Commissioner Stewart and seconded by Commissioner Bell to approve the 2024 third quarter delinquent items submitted. Motion carried 5-0.

5.05 **2024 Assessments**

Ms. Youngs presented her memo noting assessments for a total of $15,379.59 is a 39% increase in assessments over 2023 but stated that the amount was more in line with the amount seen in 2021. She explained that of all residential accounts only 67 are going to assessments for an average total of $229.

Ms. Youngs went on to explain that $9,959 of the assessment amount was for ERMU services while the rest is for city services. There was discussion.

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to approve 2024 Assessments Listing totaling $15,379.59 to provide to City Council for assessment on property taxes. Motion carried 5-0.

5.06 **Health Insurance Update**

Mr. Hanson presented his memo, explaining that ERMU's benefits consultant has seen substantial increases industry wide, indicative of the market that is starting to see insured individuals returning to their regular care appointments following the COVID-19 pandemic. Mr. Hanson stated that staff recommended remaining with HealthPartners as it presented the best value. Staff also recommended a continuation of the employer contribution rate of 85% to premiums and employee Health Savings Accounts.

There was discussion about costs to employers.

Moved by Commissioner Bell and seconded by Commissioner Stewart to approve the 2025 ERMU employee benefits offering, including a continued employer contribution to health savings accounts. Motion carried 5-0.

5.07 **Wage & Benefits Committee Proposals**

Mr. Hanson presented his memo beginning with the information only topics of the Annual Wage Adjustment Process and how it is calculated for Commission approval. He then reviewed the revised organizational chart.

During discussion of the wage adjustment, Chair Dietz expressed his preference that the Commission retain the ability to differentiate wage adjustment based on the respective groups within staff; lineworker, non-lineworker field, office, and managers. There was discussion.

Chair Dietz stated his perspective that the increase should not include the peer utility's 2025 pay step increase which brough the average from the 3.85% reviewed by the Wage & Benefit Committee to 4.54%, explaining his stance that ERMU's wage adjustment should only calculate other wage adjustments, not wage step increases.

Commissioner Westgaard sought clarity on the rationale for including the step increase.

Mr. Hanson explained that the stated goal of the compensation study approved earlier in the year was to set staff pay at 2% above the median; including the step increase maintained that rate. He went on to explain that had the peer utility provided the step increase a year earlier it would have been calculated in the compensation study. There was discussion about how increases are captured over the cycle of rate calculations year to year. Mr. Hanson provided context on how the adjustment is calculated, explaining the rates of lineworker pay across the peer utilities is gathered and the average percent change is what is presented for approval to the Commission.

Commissioner Bell stated his opinion that step increases should not be included in the calculation.

There was discussion.

There was consensus to select a point between 3.85% and 4.54% for the wage adjustment.

Moved by Chair Dietz and seconded by Commissioner Westgaard to set a 2025 wage adjustment of 4.0% for all staff. Motion carried 5-0.

Mr. Hanson handed out a spreadsheet with a proposed tiered payout system (standard goal, stretch goal) and blue-highlighted changes for the Utilities Performance Metric Incentive Compensation (UPMIC) policy. The spreadsheet also featured five years of calculations showing ERMU's hypothetical completion rate based on the new tiers and standards. Mr. Hanson highlighted bottom line numbers which show an increase in percentage every year since 2019 if the proposed standards had been in place. Mr.

Hanson explained his perspective that this shows the UPMIC is helping to drive staff performance upward.

Chair Dietz stated that historically the UPMIC was put into place and existed to offset lower wages and that the Commission, having recently approved a slightly market leading compensation plan, meant he would not vote for any more than a two percent maximum payout on the UPMIC.

Commissioner Stewart stated her belief that a tiered system helped to challenge staff performance while not reducing a staff benefit as the UPMIC had been increased to a three percent maximum payout in steps over the previous two years

In response to a question from the Commission, Mr. Hanson explained that each percent paid out in the UPMIC program is about $45,000.

There was discussion and consensus to cap the payout at two percent, and keep only the standard goal column and its recommended updates to criteria

Moved by Chair Dietz and seconded by Commissioner Bell to set the 2025 UPMIC scorecard criteria and goals. Motion carried 5-0.

Mr. Hanson presented the Purchased Vacation Time policy stating the Committees recommendation that it be rescinded due to the recent increase in vacation accruement and administrative challenges it presents.

Moved by Commissioner Bell and seconded by Commissioner Stewart to rescind the Purchased Vacation Time policy. Motion carried 5-0.

5.08 **<u>Financial Reserves & Investment Committee Update – Verbal</u>**

Commissioner Westgaard provided an update from the Committee which had met just prior to the commission meeting. He explained that electric restricted reserves had dropped from Advanced Metering Infrastructure (AMI) meter purchases. Commissioner Westgaard explained that the recommendation from the Committee was to maintain current practices as ERMU continues the AMI project.

Commissioner Westgaard stated that electric unrestricted reserves were at $5,246,679; water department has a cash balance of $10,879,501; water’s unrestricted reserves had gone from about $8.8 million in 2023 to $9.5 million in 2024. Ms. Karpinski added the context that these budget items are coming down as budgeted expenses are being paid.

Commissioner Westgaard also highlighted that the investment balance from the end of 2023 to 2024 year to date had gone from $4.1 million to $11.4 million as a result of recommendations the Commission had received in 2023 to adjust its investment strategy.

5.09 **Information Security Committee Update – Verbal**

Commissioner Stewart provided a general update from the Information Security Committee explaining action items such as appointing Technical Services Superintendent Mike Tietz to the Committee as an ERMU representative to fill a vacancy. The group also discussed future system testing, exercises, and funding.

5.10 **Customer Satisfaction Survey**

Mr. Mauren presented his memo.

There was discussion about conducting another customer satisfaction survey series after the completion of the AMI project and once customers have had a chance to use the service.

There was discussion about the comment about the costs to replace a water valve. Staff explained that residential customers are responsible for plumbing repairs on the house side of their meter.

5.11 **Energy City Committee Discussion**

Mr. Hanson presented his memo and explained a final charter would be presented in December, at which point the Commission would decide whether to appoint its members to the group. He then opened it up for discussion.

In response to a question about the membership Commissioner Westgaard was supportive in reducing the number of members but stated his belief that there was value in seeking to maintain a balance between residential and commercial representatives as the latter could make strong ambassadors to that portion of the community.

There was discussion about the future development of the appointment process.

Commissioner Stewart recommended the group provide a quarterly report to the Commission.

Commissioner Zerwas stated his opinion that it would be better to disband the group altogether.

5.12 **Advanced Metering Infrastructure Update**

Ms. Youngs presented her memo, explaining there are 8,508 electric meters in stock. She added that the electric meter installation soft launch occurred the previous Tuesday. There was discussion

5.13 **<u>Amendment to Minnesota Municipal Power Agency Agreement</u>**

Mr. Hanson presented his memo.

Moved by Commissioner Bell and seconded by Commissioner Stewart to approve ERMU Resolution 24-13 Amending the MMPA Agency Agreement. Motion carried 5-0.

6.0 BUSINESS DISCUSSION

6.1 **<u>Staff Updates</u>**

Mr. Hanson informed the Commission he was reviewing materials from the architect who was developing options for the decommissioned power plant building.

6.2 **<u>City Council Update</u>**

Commissioner Westgaard presented a City Council update.

6.3 **<u>Future Planning</u>**

Chair Dietz announced the following:

a. Special Commission Meeting – December 10, 2024
b. 2024 Governance Agenda

6.5 **<u>Other Business</u>**

There was no other business.

7.0 CLOSED SESSION

7.1 <u>RJM Construction Contract No. A133, Field Services Building Project Dispute Settlement</u>

Moved by Commissioner Westgaard and seconded by Commissioner Stewart to close the regular commission meeting pursuant to Minn. Stat. § 13D.05, subd. 3(b) for a confidential attorney-client privileged discussion regarding settlement of potential claims against RJM Construction arising from Contract No. A133, for the field services building project. Motion carried 5-0.

The Commission evaluated the settlement terms. A summary of the closed session will be provided in the December 2024 commission packet.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to close the closed meeting, and re-open the regular meeting of the Elk River Municipal Utilities Commission at 5:28 p.m. Motion carried 5-0.

Moved by Commissioner Stewart and seconded by Commissioner Westgaard to approve the proposed closeout agreement. Motion carried 5-0.

Moved by Commissioner Bell and seconded by Commissioner Zerwas to adjourn the regular meeting of the Elk River Municipal Utilities Commission at 5:28 p.m. Motion carried 5-0.

Minutes prepared by Tony Mauren.

John J. Dietz, ERMU Commission Chair

Tina Allard, City Clerk