

AGENDA
PUBLIC UTILITIES COMMISSION
November 21, 2017
12:00 P.M.

A. Call to Order

B. Roll Call

C. Approve Consent Agenda

1. Approve Agenda
2. Approve Meeting Minutes
3. Approve Payment of Bills

D. 2018 Budget and Rates

E. Adjourn

Grand Marais Public Utilities Commission Meeting

November 1, 2017

Meeting was called to order at 3 p.m. by Chair Karl Hansen. Present were Karl Hansen, Tim Kennedy, Mike Roth, Joe Pandy, Yusef Orest, Tina Hanson, and Hayden Hinchman. (George Wilkes arrived after the meeting started).

Motion by Kennedy, seconded by Hanson to approve the consent agenda. Ayes all.

General discussion followed regarding the letter Wilkes had drafted to SMMPA regarding climate change. Pandy gave brief comments regarding Great River Energy and their work in this area. The letter is asking SMMPA to form a working group dedicated to the issues involving climate change.

Motion by Wilkes, seconded by Kennedy to support sending the proposed letter to SMMPA. Ayes all.

Roth gave an update on the Public Works facility. Brian Bennett withdrew interest in doing the solar on the building. The building should be done in a few more weeks.

Roth hopes to be ready to discuss rates at the next meeting, which was set for November 21 at noon.

Orest touched briefly on joint projects being discussed with Roth – possible car charging stations in Grand Marais and possibly Lutsen. Load management systems – comparing systems, needs and possible collaboration.

Meeting adjourned at 3:46 p.m.



City of Grand Marais

CITY OF GRAND MARAIS

11/17/17 11:34 AM

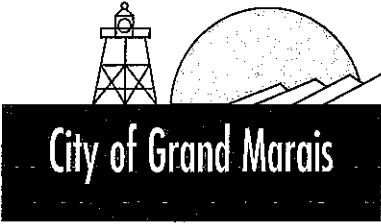
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Payments

Current Period: November 2017

Batch Name	11212017PUC	User Dollar Amt	\$141,219.84
Payments		Computer Dollar Amt	\$141,219.84
			\$0.00 In Balance

Refer	71487	<u>PACE ANALYTICAL SERVICES</u>	-		
Cash Payment	E 602-49480-300	Professional Svcs (GENE			\$88.62
Invoice	171287706	11/8/2017			
Transaction Date	11/15/2017	MAIN CHECKING G	10100	Total	\$88.62
Refer	71488	<u>MARINE GENERAL</u>	-		
Cash Payment	E 604-49570-241	Safety Equipment			\$388.95
Invoice	57581	11/6/2017			
Transaction Date	11/15/2017	MAIN CHECKING G	10100	Total	\$388.95
Refer	71489	<u>COMO OIL & PROPANE</u>	-		
Cash Payment	E 604-49570-217	Heating Fuel			\$138.41
Invoice	113614	11/7/2017			
Cash Payment	E 602-49480-217	Heating Fuel			\$769.39
Invoice	113624	11/8/2017			
Transaction Date	11/15/2017	MAIN CHECKING G	10100	Total	\$907.80
Refer	71490	<u>CENTURYLINK</u>	-		
Cash Payment	E 601-49440-321	Telephone			\$54.90
Invoice	2183871788	11/1/2017			
Cash Payment	E 601-49440-321	Telephone			\$69.36
Invoice	218D241001	11/1/2017			
Cash Payment	E 601-49440-321	Telephone			\$69.36
Invoice	218D241002	11/1/2017			
Transaction Date	11/15/2017	MAIN CHECKING G	10100	Total	\$193.62
Refer	71523	<u>LOCATORS & SUPPLIES, INC</u>	-		
Cash Payment	E 604-49570-220	Repair/Maint Supply (GE			\$57.16
Invoice	0261621-IN	11/9/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$57.16
Refer	71524	<u>BUCK S HARDWARE HANK</u>	-		
Cash Payment	E 602-49480-300	Professional Svcs (GENE			\$7.35
Invoice	1848	10/31/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$7.35
Refer	71525	<u>EMPOWER</u>	<u>Ck# 004072E 11/20/2017</u>		
Cash Payment	G 101-21720 MN State Retirement DeferC				\$480.00
Invoice	688826660	11/22/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$480.00
Refer	71526	<u>DEPT OT THE TREASURY IRS</u>	<u>Ck# 004073E 11/22/2017</u>		
Cash Payment	G 101-21703 FICA Tax Withholding				\$1,320.56
Invoice	315888728	11/22/2017			
Cash Payment	G 101-21717 Medicare				\$308.88
Invoice	315888728	11/22/2017			
Cash Payment	G 101-21701 Federal Withholding				\$1,147.25
Invoice	315888728	11/22/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$2,776.69



CITY OF GRAND MARAIS
Payments

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Current Period: November 2017

Refer	71527	THRIVENT FINANCIAL FOR LUTHE			
Cash Payment	G 101-21714	Thrivent Financial			\$50.00
Invoice	C2763539	11/22/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$50.00
Refer	71528	MN DEPT OF REVENUE-EFTPS	Ck# 004074E	11/22/2017	
Cash Payment	G 101-21702	State Withholding			\$492.41
Invoice	1-056-618-688	11/22/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$492.41
Refer	71529	PERA	Ck# 004075E	11/20/2017	
Cash Payment	G 101-21704	PERA			\$1,523.12
Invoice	441346	11/22/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$1,523.12
Refer	71531	SUNDEW TECHNICAL SERVICES			
Cash Payment	E 604-49590-310	Service Agreements			\$336.15
Invoice	GM CITY	11/30/2017			
Cash Payment	E 602-49490-310	Service Agreements			\$94.54
Invoice	GM CITY	11/30/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$430.69
Refer	71532	TOSHIBA BUSINESS SOLUTIONS			
Cash Payment	E 604-49590-310	Service Agreements			\$102.21
Invoice	14085566	11/10/2017			
Cash Payment	E 602-49490-310	Service Agreements			\$51.11
Invoice	14085566	11/10/2017			
Cash Payment	E 601-49440-310	Service Agreements			\$51.11
Invoice	14085566	11/10/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$204.43
Refer	71539	AFSCME			
Cash Payment	G 101-21712	AFSME Union Dues			\$205.28
Invoice	Nov 2015	11/30/2017			
Transaction Date	11/16/2017	MAIN CHECKING G	10100	Total	\$205.28
Refer	71549	SMMMPA	Ck# 004080E	11/17/2017	
Cash Payment	E 604-49560-388	Purchase Power			\$133,413.72
Invoice	OCTOBER 2017	11/17/2017			
Transaction Date	11/17/2017	MAIN CHECKING G	10100	Total	\$133,413.72

Fund Summary

	10100 MAIN CHECKING GMSB
101 GENERAL FUND	\$5,527.50
601 WATER	\$244.73
602 SEWER	\$1,011.01
604 ELECTRIC	\$134,436.60
	\$141,219.84

Pre-Written Checks	\$138,685.94
Checks to be Generated by the Computer	\$2,533.90
Total	\$141,219.84

City of Grand Marais

MEMO

TO: Chair Hansen
Public Utilities Commissioners
FROM: Michael J. Roth, City Administrator
DATE: November 17, 2017
SUBJECT: 2018 Electric Fund Budget and Rates

Here is the draft Electric Fund budget for 2018. SMMPA is proposing to keep wholesale rates unchanged for 2018. Rate adjustments since 2012 include 2% in 2014-2015, 3% in 2016, and 2% in 2017. I am recommending no rate increase for 2018.

Our expense budget consists of the following components.

Category	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Personnel	\$264,235	\$276,870	\$298,726	\$289,081	\$262,556
Supplies	\$134,777	\$27,243	\$101,325	\$53,485	\$61,600
Services	\$239,652	\$153,030	\$187,413	\$154,775	\$181,750
Purch. Power	\$1,708,541	\$1,628,897	\$1,687,559	\$1,725,000	\$1,700,000
Miscellaneous	\$41,400	\$44,085	\$33,615	\$39,175	\$28,882
Depreciation	\$217,923	\$209,009	\$213,469	\$208,200	\$212,582
Debt Service	\$93,166	\$87,245	\$81,142	\$56,837	\$55,300
Staffing Reserve					\$65,000
Capital Reserve		\$2,785		\$200,000	\$200,000
Total	\$2,699,694	\$2,429,164	\$2,603,249	\$2,726,553	\$2,767,670

Staffing

We are currently operating with a very different staff makeup than previous budgets were designed to fund. The personnel budget proposed for 2018 includes support for 2 Lineworkers and 32% of the City Administrator, Finance Director, .5 Secretaries, and two full time positions to support administrative programming such as billing, capital improvement planning, strategic planning, customer outreach, and conservation. There is a 29% increase in health insurance costs. The staffing reserve in the budget is a placeholder to ensure we can add an additional lineworker such as an apprentice if the need becomes apparent. At this time we intend to operate with two. After our new staffing arrangement is settled, we will look at adding another apprentice for succession planning and coverage.

Other Factors

[See attached tables] Power sales peaked in 2014 at 23.97 GWH. 2015 sales (22.7GWH) finished slightly lower than 2013 (22.9 GWH). 2016 sales were 22.3 GWH, with 2017 tracking slightly lower. The refinance of the power plant bond in 2012 and the refinance of our other two bonds in 2013 continue to provide a significant decrease in debt service, which includes only the interest portion of the debt payment.

Revenue is provided by the following sources.

Category	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Utility Bills and Fees	\$2,606,848	\$2,530,529	\$2,571,643	\$2,530,000	\$2,580,000
Miscellaneous	\$80,976	\$58,159	\$40,272	\$40,000	\$40,000
SMMPA Payments	\$245,026	\$229,524	\$267,540	\$216,000	\$216,000
Rate Increase				\$50,000	
Total	\$2,932,850	\$2,818,212	\$2,879,455	\$2,836,000	\$2,836,000

Capital Budget

The following expense line items in the budget are used to make debt payments and to build reserves.

Depreciation	\$212,582
Debt Service	\$55,300
Capital Reserve	\$200,000
Total:	\$467,882

Current Debt Commitments

2012A Power Plant Refund Bond	\$201,475
2013A Reconstruction Refund Bond	\$133,825
2017A GO CIP Bond (PW Facility)	\$30,000
Total:	\$365,300

We have \$102,582 in excess capital funds for new debt payments and adding to reserves. Our budget still shows revenues netting \$68,330 more than expenses, leaving room (\$170,912) for additional capital investment in the public works facility, paying cash for additional system improvements, and increasing our savings for electric capital projects. For the public works facility bond the electric fund share will grow to 75,000 starting in 2019. Other potential system improvements include further plant upgrades, a new load management system, meter upgrades, and Highway 61 construction.

City of Grand Marais

MEMO

TO: Chair Hansen
Public Utilities Commissioners
FROM: Michael J. Roth, City Administrator
DATE: November 17, 2017
SUBJECT: 2018 Water Fund Budget and Rates

Here is the draft Water Fund budget for 2018. I am recommending a rate increase of 2% for 2018. The increase insulates the fund from continued declining water sales, allows the water fund to cover system repairs and improvements, and positions the fund to contribute to City priority projects: the public works facility, AMI meter replacement, Highway 61 reconstruction, the 1st Street area reconstruction, and the 5th Avenue reconstruction.

Our expense budget consists of the following components.

WATER FUND					
Category	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Personnel	\$86,677	\$99,392	\$98,142	\$97,000	\$93,526
Supplies	\$38,416	\$29,929	\$16,597	\$28,000	\$29,900
Services	\$52,864	\$61,941	\$48,345	\$58,000	\$53,100
Miscellaneous	\$5,630	\$8,216	\$5,968	\$6,900	\$2,000
Depreciation	\$160,213	\$160,191	\$160,711	\$160,213	\$160,711
Debt Service	\$50,270	\$50,808	\$35,322	\$35,958	\$44,656
Capital Reserve				\$50,000	\$60,000
Total	\$394,070	\$408,840	\$365,085	\$436,071	\$443,893

Revenue is provided by the following sources.

Category	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Utility Bills & Fees	\$370,018	\$375,266	\$394,303	\$389,000	\$395,000
SA & Debt Levy	\$31,595	\$31,475	\$35,483	\$31,500	\$35,631
Miscellaneous	\$12,027	\$8,546	\$5,173	\$8,534	\$6,000
Rate Increase				\$7,750	\$7,900
Total	\$413,640	\$415,287	\$434,959	\$436,784	\$444,531

Water sales are leveling off as you can see on the attached chart. Our fund balance is now healthy. We made a small increase of 2% to the rates the previous four years as well.

Capital Budget

The following expense line items in the budget are used to make debt payments and to build reserves.

Depreciation	\$160,711
Debt Service	\$44,656
Capital Reserve	\$50,000
Total:	\$255,367

Current Debt Commitments

1999 PFA Water Loan	\$32,613
2004 PFA Loan	\$55,631
2007 MMUA Loan	\$32,409
2008 Improvements	\$45,315
2017A CIP (PW Facility)	\$20,000
Total:	\$185,968

The remaining \$69,399 is available for future capital projects. The annual debt payments from the water fund for the public works facility will increase to \$50,000 in 2019. These funds are also available for meter improvements, the 1st St reconstruction project and potential treatment plant improvements, including energy efficiency projects we have discussed.

City of Grand Marais

MEMO

TO: Chair Hansen
Public Utilities Commissioners
FROM: Michael J. Roth, City Administrator
DATE: November 17, 2017
SUBJECT: 2018 Sewer Fund Budget and Rates

Here is the draft Sewer Fund budget for 2018. I recommend an increase of 5% in sewer rates for 2018. The increase continues to position the sewer fund to contribute to multiple City priority projects: the public works facility, AMI meter upgrades, the 1st Street area reconstruction, 5th Avenue reconstruction, and Highway 61. One additional significant capital item, mercury reduction in the treatment plant, is not sufficiently understood to set a good budget number. We should expect more information on this by the end of the year. We continue to fully fund depreciation allowing our reserves to pay for minor plant improvements and system repairs. Recent rates include no increases in 2011-13, a 2% increase in 2014-2015, 4% in 2016 and 3% in 2017. Our expense budget consists of the following components.

Budget Overview

Category	SEWER FUND				
	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Personnel	\$177,221	\$182,022	\$194,521	\$201,218	\$214,724
Supplies	\$33,615	\$21,034	\$32,306	\$34,000	\$38,000
Services	\$190,914	\$178,232	\$246,486	\$197,100	\$199,100
Miscellaneous	\$11,864	\$23,430	\$15,511	\$18,150	\$12,450
Depreciation	\$136,817	\$139,105	\$140,415	\$139,105	\$140,415
Debt Service	\$8,656	\$42,424	\$35,772	\$22,210	\$41,170
Debt Transfers	\$56,001				
Capital Reserve					
Total	\$615,088	\$586,247	\$665,011	\$611,783	\$645,859

Personnel expenses increase noticeably due to a continued shifting of personnel time away from the water fund and a reallocation of administrative costs. The major component of the services category is sludge processing.

Revenue is provided by the following sources.

Category	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2018 Budget
Utility Bills & Fees	\$488,479	\$495,158	\$525,181	\$515,000	\$530,000
GW/Leach/Sludge	\$81,985	\$71,961	\$82,101	\$65,000	\$80,000
Miscellaneous	\$10,919	\$7,793	\$7,555	\$8,000	\$9,000
Rate Increase				\$15,000	\$26,500
Total	\$581,383	\$575,500	\$614,837	\$603,000	\$645,500

Capital Budget

The following expense line items in the budget are used to make debt payments and to build reserves.

Depreciation	\$140,415
Debt Service	\$41,170
Total:	\$181,585

Current Debt Commitments

2013A Refunding	\$90,210
2017 CIP (PW Facility)	\$20,000
Total:	\$110,210

The remaining \$71,375 is available to pay for future capital projects. The Sewer Fund contribution to the public works facility debt payment will increase to \$50,000 in 2019. Other capital projects include potential improvements to the sewer treatment facility, AMI meter upgrades, the 1st Street area reconstruction, 5th Avenue reconstruction, and Highway 61 that will include sewer facility replacement.