

REGULAR MEETING OF THE JEFFERSON UTILITIES COMMISSION, HELD MAY 14, 2018

On call of the roll, commissioners present were: Tinberg, Ristow, Adams, Horn, Brandel, Michaelis and Oppermann. Also present: Utility Manager Adler, Office Manager Statz and Baker Tilly Partner Jodi Dobson. The meeting began at 5:31p.m.

PUBLIC PARTICIPATION

None

MINUTES

It was moved by Comm. Brandel and seconded by Comm. Oppermann to approve the open session minutes from the March 12, 2018 meeting. On call of the roll, motion carried. (Oppermann – Aye, Horn – Abstained, Ristow – Abstained, Adams – Abstained, Tinberg – Abstained, Michaelis – Aye, Brandel - Aye)

It was moved by Comm. Ristow and seconded by Comm. Tinberg to approve the open session minutes from the April 9, 2018 meeting with the noted corrections. Motion carried on a voice vote.

EXPENDITURES

It was moved by Comm. Brandel and seconded by Comm. Michaelis to approve the payment of April's bills totaling \$1,307,103.26. On call of the roll, motion carried unanimously. (Oppermann – Aye, Horn – Aye, Ristow – Aye, Adams – Aye, Tinberg – Aye, Michaelis – Aye, Brandel - Aye)

THANK YOU TO PEG BEYER FOR HER YEARS OF SERVICE

A thank you gift for past Commissioner Peg Beyer will be sent.

WELCOME TO NEW COMMISSIONER JIM HORN

The Utilities Commission and staff welcomed Jim Horn to the commission.

JEFFERSON UTILITIES WATER AND ELECTRIC AUDIT – BAKER TILLY, JODI DOBSON

Baker Tilly partner Jodi Dobson presented the 2017 financial audit of Jefferson Utilities to the commission. Usage in 2017 continued to decline, mainly in the Industrial category related to the loss of the utility's largest customer. All other categories remain flat. The rate of return on the water side was 5.16%, with an authorized return of 5.50%. Ms. Dobson stated that was good, as it is rare to achieve the full rate of return due to estimations. The electric rate of return was 9.78%, with an authorized return of 5.00%. This large difference is due to fewer capital projects being completed in 2017 than was anticipated. She stated that the utility would even this out in 2018 when the projects were done.

Comm. Oppermann asked Ms. Dobson to explain how the utility got into a negative return situation in 2014 on the electric side.

Office Manager Statz stated that the utility had not been in for a rate increase in quite a few years at that point. A rate increase was performed in 2015.

Ms. Dobson went on to say that the utility's debt coverage looks very good. The utility has very little debt, which puts it in a good borrowing position should the need arise. She stated that when she sees utilities with a low amount of debt and sufficient cash on hand she gets worried that the utility is not investing in their infrastructure. She stated that this was not the case with Jefferson. Management continues to place dollars back into the system and pays for projects as they go. In addition, she noted that the utility's cash on hand has doubled since last year. The recommended amount to have on hand is three months of expenses and at the end of 2017 the utility had 2.61 months available. For reference, in 2015 the utility had 0.67 months available.

Ms. Dobson stated that management was doing a great job budgeting and planning for the future of the utility.

Comm. Ristow drew attention to the correcting journal entries in the back of the audit. He asked Ms. Dobson if the GASB 68 entries were available before the audit was performed.

Ms. Dobson stated that the entries for GASB 68 were not available until after the audit was completed.

Comm. Ristow noted that most of the correcting entries were related to GASB 68. He clarified the reasoning for a couple other entries and asked Ms. Dobson about a journal entry for approximately \$20,000 related to cash.

Office Manager Statz stated that it was her error. Prior to her returning from maternity leave, the utility received reimbursement for funds related to the lead program and she forgot to book the cash.

Comm. Ristow went on to ask Ms. Dobson about the proposed sewer fixed costs structure. He questioned if the joint costs due from the sewer utility to the water utility were included in the fixed costs.

Ms. Dobson stated that they were included when the rate design was created.

Comm. Ristow asked if going forward the sewer utility would still be responsible for those costs.

Ms. Dobson stated that in the short term, yes, the sewer utility would still be responsible for those costs. She stated that it was Baker Tilly's recommendation to the water utility and sewer utility to have a conversation with the Public Service Commission on how those costs would be allocated in the future.

Comm. Ristow stated that if the sewer utility was not responsible for those charges, they would then need to be included in the water rates.

Ms. Dobson stated that was correct. The water rates would need to be increased to cover those costs that would no longer be included in the sewer rates.

Comm. Ristow clarified with Ms. Dobson that if the water rates were to increase to cover those costs, the sewer rates would decrease to reflect the lower costs on their side. In the end, the customer wouldn't see a difference in their bill, just a shift in where the costs are billed.

Ms. Dobson stated that was correct.

Comm. Ristow stated that he didn't see any fund for joint costs in the sewer utility's 2018 budget, so he wasn't sure how it worked.

Comm. Horn asked Comm. Ristow if the joint costs he was referring to was part of the \$250,000 he spoke about at council.

Comm. Ristow stated that he did not remember a figure for \$250,000. He recalled some other amounts, but was not sure where \$250,000 may have come up.

Comm. Horn stated that he specifically remembered Comm. Ristow commenting about a \$250,000 amount at council.

Comm. Ristow stated that he would be happy to talk with Comm. Horn about it after the meeting, but at that time he was not sure what the \$250,000 reflected.

It was moved by Comm. Brandel and seconded by Comm. Oppermann to accept the 2017 financial audit as presented by Baker Tilly. On call of the roll, motion carried unanimously. (Horn – Aye, Ristow – Aye, Oppermann – Aye, Tinberg – Aye, Adams – Aye, Michaelis – Aye, Brandel - Aye)

Ms. Dobson left the meeting.

RE-APPOINT COMMISSION OFFICERS

It was moved by Comm. Tinberg and seconded by Comm. Michaelis to appoint Steve Adams as President and Phil Ristow as Secretary. Motion carried on a voice vote.

DISCUSSION AND APPROVAL OF POSTING FOR OFFICE VACANCY – CUSTOMER ACCOUNTS CLERK POSITION

Utility Manager Adler stated that the office and meter reading departments were short staffed with the vacancy. He stated that the split Customer Accounts Clerk and Meter Reader position worked very well for both departments and

offered the flexibility that was needed for the utility. He was recommending that the utility advertise for the position.

Office Manager Statz stated that since the last meeting, utility staff has made some changes to help with the shortage. However, even with these changes, the office and meter reading are still feeling shorthanded. Office Manager Statz stated that the office is utilizing a check scanning system to run the mail batches to save time entering payments. In addition, the utility has changed to automated phone call notices for accounts in jeopardy of being disconnected. This has saved time for the metering department. Lastly, staff was unable to read all of the meters before bills needed to go out. Because of this, routes needed to be estimated instead of billing actual usage. Ms. Statz reiterated that even with those changes, the office and meter reading departments were feeling the effects of being shorthanded.

Office Manager Statz went on to explain the necessity of having the position as well as the increased workload that the office has endured. She stated that over the last twenty years, the number of customers has increased by approximately 20%. A lineman has been added and a water operator has been added to account for this increase. She stated that it was also reasonable that an additional office staff be added as well to account for the increase.

Comm. Tinberg asked if there were any vacations taken by staff during the last month.

Office Manager Statz stated that there have been one day absences by a couple of staff, but nothing long term yet.

Comm. Ristow questioned what would happen if a long-term absence occurred in the office.

Office Manager Statz stated that at this point, the office would be close to inoperable with only two staff.

Comm. Ristow reviewed the audit figures presented by Ms. Dobson from Baker Tilly stating that the costs in the Customer Accounts and Collections category had decreased from the year before and that included the full time position being funded in 2017.

Comm. Oppermann stated that he wished to hold off on filling any vacancies until after possible efficiencies could be discussed at the Common Council. He was hoping that meeting was going to be held soon.

Comm. Brandel stated that he also hoped it would be held soon.

It was moved by Comm. Michaelis and seconded by Comm. Ristow to advertise for the vacant Customer Accounts Clerk/Meter Reader Position. On call of the roll, motion failed. (Horn – Nay, Ristow – Aye, Oppermann – Nay, Tinberg – Aye, Adams – Nay, Michaelis – Aye, Brandel - Nay)

DISCUSSION AND ACTION ON PRELIMINARY MOISTURE RENOVATION WORK ON BUILDING

Utility Manager Adler explained the HVAC deficiencies that were outlined by the contractor. He stated that no one has ever contacted Trane, the manufacture, to figure out why there were so many issues. After Trane took a look at the system, a number of things were noted that were not hooked up properly, which has resulted in the problems we have seen over the years.

The flooring also needs to be pulled up for more investigative work to see what is going on under the concrete slab. The costs are being split with the Police Department on a 75%/25% basis, with the Police Department paying 75% and the utility paying 25% of the building costs. The HVAC costs are being split 50%/50%.

It was moved by Comm. Horn and seconded by Comm. Brandel to spend \$35,537.50 to further investigate the moisture issue in the building. On call of the roll, motion carried unanimously. (Horn – Aye, Ristow – Aye, Oppermann – Aye, Tinberg – Aye, Adams – Aye, Michaelis – Aye, Brandel - Aye)

BUDGET ADJUSTMENT FOR LEAD SERVICE REPLACEMENT

Utility Manager Adler stated that he would like to take advantage of a project that the city is doing and replace some lead services on Short Street and Copeland Avenue. The watermain project is most likely going to come in very close to budget. He was anticipating that the project would come in cheaper than expected, which would allow replacement of those services. With the watermain project on target to use up most of those funds, he was

requesting a budget adjustment of \$29,000 to cover the service replacements, as well as to install a new fire hydrant on First Street.

Comm. Ristow questioned if the watermain were in good shape where the services were being replaced.

Utility Manager Adler stated that they were in good shape and replacement was not needed at this time. He stated that by the utility replacing our side of the services it allows the customers to take advantage of the lead service replacement grant as well.

It was moved by Comm. Oppermann and seconded by Comm. Michaelis to approve a budget adjustment of \$29,000 for lead service replacements. On call of the roll, motion carried unanimously. (Horn – Aye, Ristow – Aye, Oppermann – Aye, Tinberg – Aye, Adams – Aye, Michaelis – Aye, Brandel - Aye)

DISCUSSION AND ACTION ON RENTING JOB TRAILER

Utility Manager Adler explained that he and Office Manager Statz went to view the job trailers at Pac-Van's location. He stated that we were interested in renting a double wide trailer (24' x 60') for a temporary location while the building is being renovated.

He explained that he was still waiting to hear a final cost for the building project, as we need to get approval from the Public Service Commission before moving forward with the project.

Comm. Tinberg asked where the job trailers would be set up.

Utility Manager Adler stated that they would be placed out in the parking lot along with Police Department's trailers.

Comm. Horn stated that he spoke with Maas Brothers about the cost of the trailers and they felt that the charges were reasonable.

It was moved by Comm. Oppermann and seconded by Comm. Brandel to approve the rental of a double wide job trailer for utility operations during the building renovation. On call of the roll, motion carried unanimously. (Horn – Aye, Ristow – Aye, Oppermann – Aye, Tinberg – Aye, Adams – Aye, Michaelis – Aye, Brandel - Aye)

DISCUSSION AND ACTION ON BILL INSERTS

Office Manager Statz stated that the Fire Department has requested to place an insert in the utility bills advertising for volunteer firefighters. She stated that she has received requests in the past from city departments and has always said "no." She felt it was important to have a discussion with the commission to get their opinion on these types of requests. She stated that she spoke with City Attorney Rogers about the topic and he didn't think that it was a problem, just as long as the Fire Department paid for the cost of the insert.

Comm. Ristow stated that he was in favor of allowing the insert, as he felt that it was important to the city.

Office Manager Statz agreed, but also didn't want to start a precedent where information is placed in the utility bill that is unrelated to utility business.

Comm. Brandel stated that utility business inserts should take precedence over other city requests.

Comm. Ristow questioned how much effort it would take on staff's part to place the insert in the bill.

Office Manager Statz stated that it was very little effort and would not be burdensome on staff. She stated that Chief Ron Wegner agreed to pay for all associated costs with the insert.

Comm. Ristow asked about increased postage due to the insert.

Office Manager Statz stated that with a one page insert, there shouldn't be any additional postage necessary.

It was moved by Comm. Ristow and seconded by Comm. Tinberg to approve the Fire Department's request for an insert in the bills advertising for volunteer firefighters. All future requests would be considered on a case by case basis until a policy is developed. Motion carried on a voice vote.

UTILITY UPDATE PRESENTATIONS TO COUNCIL

Utility Manager Adler stated that it was requested that he and Office Manager Statz give a presentation to the Common Council about the new utility payment options. They would be at council the following night with that information. In addition, they will give a quarterly operations update to the Common Council on June 5.

FUTURE UTILITY AGENDA ITEMS/DISCUSSION

Utility Manager Adler asked for input on items that the commission would like to discuss at future meetings.

Comm. Oppermann stated that he would like to have the AMI Study completed by Baker Tilly, as those funds are included in this year's budget.

Comm. Ristow stated that he would like to have a discussion about joint projects with the city and how requests for proposals (RFP) are handled. For example, watermain, streets and sewer projects may all benefit from one RFP. He noted that the utility recently went out for RFP's and was able to shave off \$20,000 from annual audit costs.

Comm. Adams asked if Jefferson Utilities would have a presence at the city's "We're Going Outside" event.

Utility Manager Adler stated that we would be there and have frisbees to give out to kids.

Office Manager Statz stated that the utility plans to put together an obstacle course for the kids.

It was moved by Comm. Ristow, seconded by Comm. Tinberg to adjourn. Motion carried on a voice vote. The meeting was adjourned at 6:43 p.m.