

UTILITIES COMMISSION MEETING
November 28, 2022

A regular meeting of the City of Jackson Utilities Commission was held in the Council Chambers of City Hall at 4 p.m. on November 28, 2022 with the following persons present: Utilities Commission members Jenna Schwartz, Joe Marthaler, Sandy Phillips and Dennis Hunwardsen. Also attending were City Administrator Matt Skaret, Street Superintendent Phil Markman, Water/Wastewater Superintendent Tony Oxborough, MRES Jackson Distribution Maintenance Foreman Tony Nitchals, City Finance Officer Deb Mitchell and Recording Secretary Dave Maschoff. (Utilities Commission Chairman Kevin Siepker, Vice-Chairman Mike Schwartz and Michael More were absent.) (A quorum of the Utilities Commission was present.)

OPEN THE MEETING

In the absence of Utilities Commission Chairman Kevin Siepker and Vice-Chairman Mike Schwartz, City Administrator Matt Skaret asked if any of the Commission members present wanted to lead the meeting.

It was the consensus of the Commission members attending to have Skaret chair the meeting.

Skaret called the regular monthly meeting of the Utilities Commission to order at 4:05 p.m.

APPROVE THE MINUTES FROM THE SEPTEMBER 26, 2022 UTILITIES COMMISSION MEETING

Skaret asked for a motion to approve the September 26, 2022 Utilities Commission minutes.

JENNA SCHWARTZ/JOE MARTHALER moved and it was unanimously carried to approve the minutes from the September 26, 2022 Utilities Commission meeting.

DEPARTMENTAL REPORTS

Street Department

Street Superintendent Phil Markman said the Street Department is ready for the snowfall that's in the forecast for November 29th. He said the Street Department personnel has pre-treated the streets, the trucks are loaded and the snowplows mounted.

Jenna Schwartz asked what the latest snowfall prediction is.

Markman said the Winter Weather Advisory had just been moved up from 6 a.m. to 3 a.m. on Tuesday. He said the Advisory will be in effect until 6 p.m. on Tuesday. Markman said 3 to 5 inches of snow is predicted for Jackson. He said how much snow accumulates will depend on fast the temperature changes and where the storm tracks. Markman said there's predictions of 9-plus inches of snow for areas east of Jackson.

Markman reported Street Department personnel were out on November 28th filling in the potholes they hadn't finished with asphalt cold mix. He said the Street Department had one of their biggest years for the amount of asphalt they put down themselves. Markman said over 500 tons of asphalt were put down this year. He said that was a big year for the Street Department.

Markman said the warming house for the skating rink is ready to go. He said the Street Department is waiting for cold weather to make ice.

Markman said the Street Department is currently caught up with everything.

Skaret noted the patching jobs on the City's streets are getting so large that not only are they using the Street Department's skid loader, but also using the Water Department's skid loader.

Markman said the Street Department has been using two skid loaders for quite a while and trying not to have as much hands-on applications. He said the Street Department used to literally throw the asphalt by the shovel full out of the back of a truck. Markman said now they use a skid loader to dip asphalt out of the truck and spread the asphalt that way. He said they are working smarter, not harder. Markman said the Street Department can also do more patching in less time. He said they average using about 18 tons of asphalt a day when the right conditions exist to patch.

Markman noted the Street Department can only get asphalt on Monday, Tuesday and Wednesdays. He said when the asphalt is available, the Street Department tries to get as much done as they can.

Electric Department

MRES Jackson Distribution Maintenance Foreman Tony Nitchals reported the Electric Department has Pillar's Pub and Eatery's electric service permanently installed. He said a temporary service had been installed, but the owner changed her plans and now the electric service has been permanently installed.

Nitchals said the overhead wires and poles have been removed from White Street. He noted more street lighting has been ordered. Nitchals said the goal is to replace the wood utility poles around town that have street lights on them and replace them with new street light poles. Nitchals said driving around town the wood poles look tacky.

Nitchals said the Electric Department has all the Christmas lights up around town. He noted a couple of junction boxes were repaired on Second Street and connections redone.

Nitchals said the Electric Department is also working on electric meter alerts. He pointed out the AMI meter system is really nice because it gives the Electric Department an alert when a connection is hot and the meter socket is weak. Nitchals explained that allows the Electric Department to take care of a situation before it becomes an issue.

Nitchals said the Electric Department is ready for winter and hoping no transformer boxes are struck. He said informational flyers were sent out reminding snowplow drivers and persons pushing snow to watch out for the green transformer boxes.

Nitchals asked if the City had sent out any flyers about keeping an eye out for the transformer boxes when moving snow.

Skaret said the City did not.

Nitchals suggested posting on the City's Facebook page reminding people to look for the green boxes. He said he doesn't want to see any boxes struck this winter.

Skaret said the City sent letters to the downtown business owners reminding them about the snow removal protocols regarding having the snow shoveled off their sidewalks and into the street by 5 a.m.

Nitchals said if we can get by the winter without any green boxes being struck by snowplows, the Electric Department will be pleased.

Water Department

Water/Wastewater Superintendent Tony Oxborough reported the water main was installed as part of this year's street project on Westridge Drive.

Oxborough said the fire hydrants in town were flushed and the hydrants were being checked to make sure the hydrant barrels aren't full of water. He said the checking of the hydrants wrapped up on November 28th.

Oxborough said discharges have been completed and everything is shut off at the City's lagoon ponds. He said the lagoons will now begin to freeze over.

Oxborough reported work has been underway in installing the controls that will allow the Water Plant to control, monitor and record data from Lift Station No. 1. He noted the City Council had approved the purchase of the remote-control system earlier this year. Oxborough said the company installing the system anticipates finalizing everything the week before Christmas. Oxborough said he's excited for that.

Oxborough said the Water Department has received another 216 antennas for the AMI water meters. He said after meeting with the Water Department personnel, they are going to wait until next year to start installing them. Oxborough said the Water Department has more important things underway right now to finish. He said they will install the 216 new antennas when the new year starts. Oxborough said to date, there are 709 AMI water meters with antennas installed. He said there will be over 900 AMI water meters in service after this next batch of antennas are installed.

Regarding the filter media replacement project at the Water Plant, Oxborough said he and Skaret recently received an email that plans for the filter replacement have been submitted to the State of Minnesota for final inspection and approval. He said it's expected the City will hear back from the engineers at SEH in mid-December. Oxborough said the filter media project is moving forward.

Skaret said once they hear back from SEH, then the City can seek bids for the project.

Oxborough said he's hoping for work to begin this spring.

Update on the Riverside Street Project

Skaret reported the Riverside Street Project was not wrapped up this year. He said the contractor did not get a bituminous layer on Riverside Drive. Skaret said that was very, very disappointing to say the least. He said when work started late this fall, the contractor promised it would be no problem to get the paving completed. Skaret said it became a problem.

At this point, Skaret said there are liquidated damages of \$1,200 per day until November 15th. He said substantial completion was supposed to be October 28th according to the contract. Skaret said the liquidated damages of \$1,200 per day will be assessed for the period of October 28th to November 15th. He explained MnDOT (Minnesota Department of Transportation) basically declares the construction season shut down from November 15th to April 15th. Skaret said the liquidated damages cannot multiple during that time. He said from October 28th to November 15th amounts to about \$21,000 in penalties for the contractor.

Skaret said it's possible, assuming the rest of the project goes well and deadlines are met, the City Council could decide to forgive some or all of the liquidated damages. He said the City would like to continue their good working relationship with the contractor. But for now, Skaret said the liquidated damages will stay in place.

Skaret said the contractor has provided the City an update for next season's construction schedule. He said the contractor plans to have everything done and buttoned up by June 15th on Riverside Drive, Emily Street, Northridge Drive and Westridge Drive.

Skaret noted that River Street is a County Road. He said the County has requested that the City get their utility work completed on River Street in 2023 with the County paving the road in 2024. Skaret said the County was very insistent in doing separate contracts.

Skaret informed the Utilities Commission the City has a new engineer with Bolton and Menk. He said Engineer Greg Mitchell left Bolton and Menk in late September. Skaret said Wes Brown, who manages the Fairmont office of Bolton and Menk, is the City's new engineer.

Skaret said Brown doesn't think it's a good idea to have separate contracts for the projects on River Street with the City doing its part and the County doing their part of the project. He said Brown feels if it ends up that there's a problem with the project on River Street, there's going to be a bunch of finger-pointing with the City and the County telling each other any problem is their fault.

Skaret said it would be a lot easier if it was one contract. He said hopefully during the winter, the City can get that ironed out with the County.

Electric Rates

Skaret said the City received notice the electric rates from WAPA (Western Area Power Administration) are going up because of the drought in the Missouri River Basin. He explained there's an allotment of power that WAPA has to meet for communities including Jackson. Skaret said when there isn't enough water in the reservoirs, there isn't enough water to run through the dams to generate electricity. When that happens, Skaret said WAPA has to go out and purchase power on the market to sell to Jackson. He said WAPA is having to purchase power on the market now and that power is much more expensive than hydropower. Because of that, Skaret said WAPA is going back and adding what's called a "drought adder component". He said that basically adds about 16 percent to the wholesale cost for the power from WAPA. Skaret said that makes the power the City of Jackson purchases from WAPA more expensive.

At this point, Skaret said the City is not passing that increase on to the customers of Jackson. He said they might have to later on but at this point, the City has a pretty good balance in the Electric Fund. Skaret said the City can eat up the increase right now, but the City will have to carefully monitor it.

WATER RATES

Skaret said with the improvements of installing new water lines on Emily Street and Riverside Drive along with the Water Plant's filter media rehab project, the City is adding more debt to the City's books.

Skaret said starting next year, the City is basically adding about another \$106,000 in debt that has to be paid for out of the Water Fund for these projects. He said the City's funds are healthy so the City doesn't need to make up all of that, but the City does have to make up some of it. He said it's good for the City to do incremental increases if there's going to be increases rather than a large increase all at once.

Skaret said the City has been incrementally increasing the water rates the past number of years. He referred to the three different handouts he distributed to Utilities Commission members. Skaret first referred to the information titled "Water Rate Comparisons".

Skaret said he would recommend the City try and generate an extra \$50,000 in revenue for the Water Fund in the next budget year. He said there's a number of different ways to do that. Skaret explained the City has basically two tiers that they use to bill for water. He said there's the base rate which is currently \$9.95 per month. Skaret said a rate increase would be balanced between the base rate and the user fee which is the per 1,000 gallons of usage of \$7.71 per month.

Skaret said right now the monthly water bill would be \$36.94 a month for the average customer that uses 3,500 gallons of water per month. He said he knows some people use more and some use less. Skaret said on average, each person in the household uses between 1,500 and 2,000 gallons a month. He said if the base fee was increased by one dollar and the usage fee by 40 cents per thousand gallons, it would generate close to \$50,000 annually based on about 98 to 100 million gallons in water sales. Skaret noted that's what the City has been averaging in water sales per year.

Skaret said if the City would increase the water rates as he outlined, under that scenario, it would increase the cost of 3,500 gallons by about \$2.40 a month.

Skaret pointed out the comparisons of water rates in area communities that was included in the information he distributed to Utilities Commission members. He noted the communities on the comparison list included Windom, Lakefield, Worthington, Luverne, St. James and Pipestone. He said with the proposed increase in water rates, the City of Jackson would still be in the ballpark when compared to surrounding communities. He noted the cost figures from the surrounding communities might be a bit higher now because the figures were from the start of 2022 and it's not known what those communities may be looking at for water rates for next year.

Skaret said the information titled as "Water-Sewer Rate History" shows where the City has been with their water and sewer rates going back to January of 2017. He pointed out in the years of 2017, 2018 and 2019, the City approved fairly decent water rate increases. He said more of the increase was put on the per gallon rate rather than on the base fee back in 2017, 2018, 2019 and 2020. Skaret said the rate in those years was basically going up about a dollar, give or take, on the usage rate and the base fee was going up a nominal amount at about 15 to 25 cents per year. He said in 2021, the City had a nominal increase of 15 cents on the base rate and 14 cents on the usage rate.

In 2022, Skaret said there was a two dollar increase on the monthly user charge to \$9.95 and there was a 40-cent increase on the per 1,000-gallon usage rate that went to \$7.71. He said if the water rate base fee is increased by a dollar and the per 1,000-gallon usage was increased by 40 cents in 2023 that would bring the base rate to \$10.95 and the user rate per 1,000 gallons to \$8.11.

Skaret said no adjustments have been made to the City's sewer rates since 2020. He said the Sewer Fund is healthier. Skaret explained when the City is doing street projects, the Sewer Fund doesn't take as much of the hit as the Water Fund does. He said that's primarily because when there's work being done on the west side of town, the City benefits from their huge sewer lining project that occurred back in 2012. Skaret said with the sewers lined, the City isn't replacing sewer lines, they're just replacing the services from the main to the property line so there really isn't a lot of sewer expense when they've been doing street projects. He noted there will be sewer replacement on Emily Street, but still, the City is sitting pretty stable with its Sewer Fund. Skaret said he doesn't think there's really a need for an increase in the Sewer Fund, just an increase on the water side.

Skaret then referred to another sheet of information he distributed to Utilities Commission members. He noted it outlined the Water Fund budgets for 2019, 2020, 2021, year-to-date 2022 and the requested and approved budget for 2023. Skaret pointed out the information showed the Water Fund revenues and expenditures. He noted the revenues have been increasing, as they should be, with the water rate increases. Skaret noted the Water Fund line-item expenses and pointed out the totals in parentheses showing the years where the Water Fund ended up in the red and also where there were no parentheses showing when the Water Fund was in the black for the year. He noted depreciation is also factored into the budget numbers. Skaret said depreciation is about \$173,000. He explained the depreciation comes out as an expense but the City is not actually writing a check for depreciation. He said the depreciation does skew the budget numbers some also.

Skaret also pointed out the "Transfer to other Funds" on the last page of the Water Fund budget information. He explained those are bond payments for street projects. Skaret said money is transferred from the Water share to the City's Debt Service Fund where the City makes just one payment. He said the Water share comes out of the Water Fund. Skaret noted there's \$85,000 that comes straight out of the Water Fund to pay the bond principal for the Water Storage Tank Project.

Skaret said he knows that he's throwing a lot of budget numbers before the Utilities Commission members but wanted to provide them a bird's eye view of what is being looked at and showing why the City needs to keep increasing their water rates incrementally because there are a lot of needs, especially on the water side.

Skaret said the good news is about 2025, the City will start to have some debt come off the books from earlier street projects from 2012 and 2013. He said those projects will start coming off the books so there's an end in sight on some of these bond payments.

Looking at the Water Fund budget, Skaret pointed out there are some things that are being factored into the budget that will eventually need to be purchased. He said those items include a new generator for the Water Plant and saving up for a new skid loader. Skaret noted the budget also includes money being set aside for water main improvements.

Hunwardsen asked if the City Council has already approved the budget Skaret presented to the Utilities Commission.

Skaret said this budget has not yet been approved by the City Council. He said the Finance Committee has also not yet reviewed the budget. Skaret said the Finance Committee will want to have the Utilities Commission's input.

Skaret said looking at the City's water usage historically, the usage has been typically around 98 million to 100 million gallons per year pretty consistently. He said the total usage has stayed the same, but the commercial water usage has dropped a little bit over the years. Skaret said back in 2016 and 2017, the City was selling about 50 million gallons on the commercial side. He said this year, commercial water sales are projected to end up between 42 to 43 million gallons so the City is seeing less commercial water usage.

Oxborough said the big reason for the change in commercial water usage is that the race track used to purchase a lot of water from the City but now they pump water from their own ponds. He said one of the good things is that opens up the opportunity for another company to come to Jackson and for the City to sell them water. For clarification, Oxborough said the City pumps an average of around 120 million gallons of water per year. He said he agrees there's been a decline in water usage. Oxborough noted the Water Department has also repaired leaks through their water auditing. He said installation of new water meters in town will also improve the accuracy of the amount of water being used. Oxborough said two years ago the City was at a 25 percent water loss and now, so far this year, it's down to 13 percent. He said finding leaks and the new water meters absolutely made a world of difference after the City updated their commercial accounts.

On the residential side, Skaret said the new AMI system is also catching a lot of things such as leaking toilets. He said for those that have the radio-read water meters installed, the system will send an alarm if a resident is experiencing some sort of water leak.

Hunwardsen asked if commercial and residential customers pay the same rates.

Skaret said they do. He said the City also pays for the water they use whether it's for the splash pad, street sweeper or City Hall.

Jenna Schwartz asked if a recommendation was needed from the Utilities Commission to the Finance Committee.

Skaret said the Utilities Commission could make a recommendation if they were comfortable with the proposed water rate increases.

JENNA SCHWARTZ/SANDY PHILLIPS moved and it was unanimously carried to recommend the proposed water rate increases to the Finance Committee for their review.

WAPA-UPPER GREAT PLAINS REGION RENEWABLE ENERGY CERTIFICATE (REC) PROGRAM

Skaret said this agenda item is informational. He said the City received a notice from WAPA (Western Area Power Administration) and has also received correspondence from Missouri River Energy Services.

Skaret said WAPA is coming out with a similar program that Missouri River Energy has as far as Renewable Energy Certificates (REC).

Skaret explained right now if businesses in Jackson want to go totally green in their power supply, they can buy Renewable Energy Certificates through Missouri River Energy. He said businesses pay for those certificates but then they also get that credit into their power supply where they're basically paying extra for green power that Missouri River Energy purchases as part of their portfolio. Skaret said WAPA is going to start doing the same thing. He said Missouri River Energy has a proposal to administrator the Renewable Energy Certificate (REC) Program for WAPA. Skaret said that means the City won't have to administer the REC's if there's companies in Jackson that want to buy the WAPA certificates. He said Missouri River Energy would administer the program if the City wants them to. Skaret said he would strongly recommend letting Missouri River Energy Services administer the WAPA Renewable Energy Certificate Program rather than the City. Skaret referred to a letter that was sent from the Western Area Power Administration explaining the program. (Copies of the letter had been distributed to Utilities Commission members for their review.)

Jenna Schwartz asked if WAPA's Renewable Energy Certificate Program is already underway.

Skaret said it will be in 2023.

Other:

Update on sewer line at the Jackson County Fairgrounds

Phillips asked if there were any updates regarding repairing the sewer line from the shower house located on the north side of the Jackson County Fairgrounds. She asked if anything had been heard from Jackson County Administrator Ryan Krosch.

Skaret said he has not heard anything.

Markman said it sounded like the County was going to repair the sewer line next spring.

Oxborough noted a penalty will be charged on the Fairground's utility bill if the repair is not made within the 90 days when the repair notice was first issued by the City.

Skaret noted the 90-day period may be ending soon and then the monthly penalty will be added to the utility bill.

Phillips asked if the County or Ag Society would be charged the penalty. (It was believed the County would be charged the penalty.)

December meeting date

Skaret noted City Hall will be closed for the Christmas holiday on Monday, December 26th which would be the normal day the Utilities Commission would meet for their monthly meeting.

Skaret suggested the Utilities Commission could meet on Monday, December 19th or later in the week or following Christmas on December 28th or 29th.

Utilities Commission members suggested Tuesday, December 27th.

Skaret said the next Utilities Commission meeting will be scheduled for December 27th.

ADJOURNMENT

With no further business, Skaret asked for a motion to adjourn.

SANDY PHILLIPS/JENNA SCHWARTZ moved and it was unanimously carried to adjourn the Utilities Commission meeting at 4:47 p.m.

Skaret wished Merry Christmas and Happy Holidays to everybody.

David A. Maschoff, Recording Secretary

