

DULUTH PUBLIC UTILITIES COMMISSION
Tuesday, October 21, 2014
City Council Chambers
AGENDA

1. Roll call
2. Approval of previous meeting minutes
3. Old business
 - 3.1 Review proposed utility budgets
4. New business
 - 4.1 14PUC-003 - RESOLUTION APPROVING AND RECOMMENDING 2015 UTILITY BUDGET.
5. Updates from staff
6. Upcoming Council actions
7. Commissioner questions or comments
8. Preview of upcoming business

DULUTH PUBLIC UTILITIES COMMISSION
Meeting Minutes
September 16, 2014

Members Present: Councilor Zack Filipovich, Councilor Jennifer Julsrud, Rob Prusak, Linda Sellner, Councilor Joel Sipress, Jason Thorsell

Members Absent: Jim Ramnes

Staff Present: Jodi Amundson, Jim Benning, Liz Bieter, Leanna Gilbert, Howard Jacobson, Chris Kleist, Eric Shaffer, Glenn Strid

Call to Order: The meeting was called to order at 5:13 p.m. by President Prusak.

Johnnie Green appeal

The appellant, Johnnie Green, did not appear to present his case. The appeal was unanimously rejected.

Approval of previous meeting minutes

Old business:

Updates to utility capital improvement plans

Eric Shaffer requested that this discussion be included with the utilities budget update.

New business:

Green infrastructure - Stormwater

Commissioner Sellner gave a presentation on the importance of green infrastructure in the city with emphasis on the benefits of trees. Commissioner Julsrud mentioned current and upcoming projects that promote green infrastructure in the city.

Utilities budget update

Glenn Strid gave an overview of the proposed 2015 budget for each utility and answered questions from commissioners. Eric Shaffer provided details on budgeted capital projects.

Updates from staff

Jim Benning mentioned that the Commission should discuss post consent decree items soon, since partial termination has been requested.

Eric Shaffer gave updates on projects including CIPP lining in Lincoln Park, the natural gas blanket project, Kingsbury Creek water and gas, the West Duluth Reservoir, and Hidden Valley pipe bursting.

Upcoming Council actions

The Public Works & Utilities budget presentation to City Council is tentatively scheduled for November 10th.

Commissioner questions or comments

Commissioner Thorsell inquired about the signs regarding tree removal in the area of 19th Ave E and 4th Street. Jim Benning stated that it is a county project that is scheduled for construction in 2016.

Commissioner Filipovich stated that the intent is to replace the trees and that the existing trees are nearing the end of their useful life.

President Prusak asked if there was any update on the Ecolibrium3 project. Commissioner Julsrud said that the project is moving forward and will mainly involve the steam plant.

President Prusak mentioned that there were no overflows in Lake Superior during the storm event in August. Commissioner Thorsell asked how full the tanks got. Eric Shaffer responded that the first tank at 18th Ave E was full but not the second tank.

Commissioner Sellner inquired about the property that used to be a natural gas site that is up for development. Commissioner Julsrud explained that the old building had been sandblasted and the lead paint fell to the ground. The City requested and received a grant to pay for part of the cleanup costs. A residential development of 8 to 12 houses is planned. Commissioner Sellner said that the site would make a good green space.

Preview of upcoming business

The next regular meeting is scheduled for Tuesday, October 21, 2014, at 5:15 p.m. in City Council Chambers. The Commission will review utility budgets. After the budget process has ended, the Commission will discuss post consent decree topics.

Adjournment: The meeting was adjourned at 7:21 p.m.

Misc. Notes to Budget 2015 Utility Cash Projection Worksheets

REVENUES

1. Misc. Operating Revenue – the table below describes those lines rolled up into the Budgeted 2015 Miscellaneous Operating Revenue subtotal. Amounts can vary significantly by Fund. Some lines are unique to specific Funds.

Acct	Description	2015 Comments
4800	Meter Repair Revenue	Water only (\$25K) includes tapping fees, burst services
4801	Off/On Charge	Water and Gas (\$25K each)
4802	Interest Earned - Customer Accts	Range from \$13.5K (Storm) to \$145K (Gas)
4805	Reimbursements	All Funds - Employee time spent on Union business, sales tax refunds, other misc. reimbursements Gas only payments for sale of excess pipeline capacity (aka Tenaska "Asset Management" agreement) Sanitary Sewer only (\$27K) Hermantown Sanitary Sewer agreement
4807	Water Tower Lease	Water only (\$135K)
4809	Miscellaneous Operating Revenue	NSF fees, petroleum tax refunds, misc other payments.
4818	Servicing Appliances	Gas only (\$300K)
4819	Comfort Policy Revenue	Gas only (\$390K)
4827	Gas – Interruptible Transport	Gas only (\$363K)
4834	Fond du Lac Grinder Pump Surcharge	Sanitary Sewer only (\$11,500)
4836	I & I Surcharge	Clean Water only (\$15K) non-compliance charges
4839	Point of Sale Inspection Fee	Sanitary Sewer only (\$75K)
4851	Interest – Other Sources	Special Assessment Interest. Range of \$500 (Storm) to \$5K (Water)
4636-02	Sale of Materials Scrap	Range of \$1,200 (Sanitary) to \$12K (Water)

2. Non-Operating Revenues - the table below shows detail descriptions of the types of lines rolled up into Non-Operating Revenue. Dollar amounts can vary significantly by Fund and year.

Acct	Description	2015 Comments
4806	Connection Fees	Water and Sanitary Sewer Fees in Lieu of Assessment and Water Hydrant connection fees.
4829	Two-Tier Gas Rate	Gas only (\$48K)
4850	Earnings on Investments	Total for all Funds \$7,100
4853	Gain/Loss-Sale of Fixed Assets	Proceeds from sale of used vehicles/equipment
4854	Utility Assessments	Range of \$0 (Storm) to \$10K (Gas)

4230	PERA Aid	Annual amount for Water (\$16,919), Gas (\$23,365) and Sanitary Sewer (\$8,283) per old State Statute
4730-50	Transfers In From Enterprise Funds	Reimbursement from Street Lighting for share of costs for monthly billing. Total for all Funds \$41,000

EXPENSES

1. Debt Service

a. **Total Debt Service expense** - lines below need to be totaled in each Fund.

Under Expenses: Debt Service – Interest Expense (5611), plus
AMRS* Lease Interest Payment (5614), plus

Under Other Uses of Cash: Bond Principal Payments, plus
AMRS Lease Principal Payments

= Total Debt Service

*AMRS is the Automated Meter Reading System. Applies to Water, Gas and Sanitary Sewer Funds.

b. **Total Reserve Needed** (page bottom) - The dollar amount listed is for reference only and intended as a minimum target for cash. It is the total of the February interest plus principal debt service payments due.

2. Retiree Insurance and OPEB (Other Post Employment Benefits) – Consist of two distinct payments.

Benefits – payments during the year for current retiree health benefits.

Transfers – a contribution to the cost of future retiree health care costs.

3. Utilities – Represent costs for paying our own utility expenses at the Garfield PW&U facility, the Lakewood Water Treatment Plant, Water pumping stations, Gas regulator stations and Sanitary Sewer lift stations. The single largest expense is approximately \$1.1M in the Water fund for electricity to pump water. For comparison, the electricity for Sanitary lift stations costs approximately \$78K per year.

4. SSO Grants and Improvements (Sanitary Sewer only) – Grants to customers to disconnect foundation drains and reduce clean water in the sanitary system; also known as the Inflow & Infiltration “sump pump grants”.

5. Grants and Awards (Clean Water only) – Grants to customers to repair private Sanitary Sewer service lines; also known as the “lateral line grants”.

6. Transfers - Account 5700-10 Interfund Transfers Out To General Fund

a. Detail descriptions for \$ amounts budgeted by Fund are below:

Fund	Acct	2015 Description	\$ Amount
Water	5700-10	Annual street patching and sidewalk repairs	\$280,000
	5700-10	Transfer for Applications Administrator	\$21,700
		Water Subtotal =	\$301,700

Transfers (cont'd)			
Gas	5700-10	Annual street patching and sidewalk repairs	\$10,000
	5700-10	Transfer for Applications Administrator	\$21,700
		Gas Subtotal =	\$31,700
Sanitary Sewer	5700-10	Annual street patching and sidewalk repairs	\$30,000
	5700-10	Transfer for Applications Administrator	\$21,600
		Sanitary Sewer Subtotal =	\$51,600
Stormwater	5700-10	Annual street patching and sidewalk repairs	\$25,000
	5700-10	Transfer for Applications Administrator	\$21,600
	5700-10	Transfer for estimated Street Sweeping costs	\$410,000
		Stormwater Subtotal =	\$456,600

b. Other General Fund Transfers – There are other expenses charged to the Utilities that result in a transfer of \$ to the General Fund. These are referred to as transfers during discussion, but are not labeled as “transfers” by budget book account name. These costs are included in the “Other Services and Charges” expense category on the Cash Projection Worksheets.

Fund	Cost Allocation (Acct 5493)	Hydrant Maintenance (Acct 5457)
Water	\$385,300	\$30,000
Gas	\$491,300	n/a
Sanitary Sewer	\$308,000	n/a
Stormwater	\$151,800	n/a
<i>Total</i>	<i>\$1,336,400</i>	<i>\$30,000</i>

c. Self-Insurance Fund – Budgeted costs for Worker’s Compensation and General Liability are based on an actual three year average. The exception is a \$60,000 per year contribution by the Gas Fund for General Liability even though no claims are reported. These costs are included in the “Other Services and Charges” expense category on the Cash Projection Worksheets.

Fund	Worker’s Compensation (Acct 5151)	General Liability (Acct 5360)
Water	\$38,300	\$113,800
Gas	\$48,600	\$62,500
Sanitary	\$20,000	\$23,100
Stormwater	\$7,300	\$8,800
<i>Total</i>	<i>\$114,200</i>	<i>\$208,200</i>

RESOLUTION NO. 14PUC-003

**RESOLUTION APPROVING AND RECOMMENDING 2015
UTILITY BUDGET.**

WHEREAS, pursuant to 2-186 (d) of the Duluth City Code, 1959, as amended, the Duluth Public Utilities Commission (the "DPUC") is charged with approving and recommending to the Duluth City Council the annual budget for the City's water utility, natural gas utility, sanitary sewer utility and the stormwater utility; and

WHEREAS, the DPUC has reviewed the attached budget for said utilities for the year 2015 and determined that it is reasonable and appropriate to meet the needs of the respective utilities, of the City and of the customers of the utilities.

RESOLVED, that the DPUC hereby approves and recommends to the City Council that it approve the attached budget for the City's water utility, natural gas utility, sanitary sewer utility and stormwater utility for the budget year 2015.

Approved by the DPUC:

(date)

Submitted to City Council:
(where appropriate)

(date)

ATTEST:

Director
Public Works and Utilities
City of Duluth

STATEMENT OF PURPOSE:

The purpose of this resolution is to approve and recommend to the City Council the attached 2015 budget for the City's water utility, natural gas utility, sanitary sewer utility and stormwater utility.