

**CITY OF FAIRMONT
PUBLIC UTILITIES COMMISSION
AGENDA**

Tuesday, December 6, 2022

1. CALL TO ORDER
 - 7:30 AM CITY HALL CONFERENCE ROOM (SECOND FLOOR)

2. ROLL CALL
 - CHAIR SEGAR _____
 - VICE-CHAIR MOLTZEN _____
 - SECRETARY JOHNSON _____
 - COMMISSIONER WERRE _____
 - COMMISSIONER STRUSS _____

- 3 2023 FINANCIAL AND CAPITAL BUDGETS (1 - 9)

- 4 APPROVAL OF CHEMICAL BIDS FOR 2023 (10)

- 5 DATE AND TIME OF NEXT MEETINGS:
 - REGULAR MEETING - TUESDAY, DECEMBER 20, 2022
 - WORK SESSION MEETING - TUESDAY, JANUARY 3, 2023

- 5 ADJOURNMENT

- 6 ATTACHMENTS

FAIRMONT PUBLIC UTILITIES COMMISSION
AGENDA ITEM CONTROL SHEET

MEETING DATE: DECEMBER 6, 2022 SCHEDULED TIME: 7:30 AM

REVIEWED BY: JULIE ZARLING, ASSISTANT FINANCE DIRECTOR

SUBJECT: 2023 FINANCIAL & CAPITAL BUDGET APPROVAL

SUBJECT INITIATION:

 BY COUNCIL BY COMMISSION X BY STAFF

SUBJECT BACKGROUND BY: JULIE ZARLING

INTRODUCED BY: JULIE ZARLING

TYPE OF ACTION:

<input checked="" type="checkbox"/> MOTION (VOICE VOTE)	<input type="checkbox"/> DISCUSSION
<input type="checkbox"/> RESOLUTION (ROLL CALL)	<input type="checkbox"/> INFORMATION ONLY
<input type="checkbox"/> HOLD PUBLIC HEARING (MOTION TO CLOSE)	<input type="checkbox"/> SET PUBLIC HEARING (MOTION)

RECOMMENDED ACTION BY: COMMISSION COMMITTEE x PUC STAFF

<input type="checkbox"/> ISSUANCE	<input checked="" type="checkbox"/> APPROVAL	<input type="checkbox"/> AUTHORIZATION
<input type="checkbox"/> DENIAL	<input type="checkbox"/> REJECTION	<input type="checkbox"/> NO ACTION NECESSARY

STATEMENT:

ASSISTANT FINANCE DIRECTOR ZARLING REVIEWED THE 2023 FINANCIAL & CAPITAL BUDGETS AT THE NOVEMBER 15, 2022 MEETING.

STAFF IS ASKING FOR APPROVAL OF THE 2023 PUC BUDGET, WITH RECOMMENDATION OF APPROVAL BY CITY COUNCIL AT THEIR FIRST MEETING IN DECEMBER 2022.

NOTE: PLEASE BRING YOUR COPY OF THE BUDGET FROM THE LAST MEETING. THANK YOU.

ATTACHMENTS:

- 1.
- 2.

PUC ACTION: _____ AGENDA ITEM NO. 3

DATE: _____ PAGE NO. 1



MEMO

TO: Public Utilities Commission
FROM: Julie Zarling, Assistant Finance Director
DATE: December 6, 2022
SUBJECT: Proposed 2023 Budget

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The Finance Department has the 2023 proposed budget ready for the Commission’s review. I want to thank the staff that helped put this budget together.

Enclosed, you will find a set of summary documents to give you the overall picture of the proposed budget. These summary pages are followed by individual department comments and schedules. The final section includes a line item budget for each department based upon the proposed rates.

Pages M-1 through M-5 show the proposed 2023 income statements, capital expenditures, designated reserves and cash flow statements. In October 2022, we updated the water and wastewater rate study from 2020 with Northland Securities. They evaluated our existing rates, planned capital projects and put together a forecasting model to come up with recommended rate increases for the next ten years. For 2023 the study recommends a 13.6% blended increase to our residential water rates and a 13% blended increase to our commercial and industrial water rates. For our wastewater rates, it recommends a blended 4.6% increase to the residential rates and 4.2% blended increase to our commercial rates. The proposed rate increases are needed to ensure we have the funds in place to support required capital improvements and maintain stable rates into the future.

SMMPA Board approved a rate increase of 15.6% to the on-peak energy and off-peak energy rates effective November 1, 2022. In addition, they voted to replace the Base Rate Cost Adjustment with a new Energy Cost Adjustment effective February 1, 2023. We are recommending that we increase our ECA to .013685 per kWh to offset SMMPA’s rate increase and also help us meet our targeted undesignated cash balance at the end of 2023. In our 2023 proposed budget, we have a line item for an electric rate study with Dave Berg Consulting to re-evaluate our rates and the upcoming CIP projects.

There are sample utility bills based upon the recommend rates and their impact located at the end of the packet.



Public Utilities Commission Memo
November 15, 2022
Page 2

For the Water Department we are budgeting a 11% increase in the gallons sold from our 2022 budget. We exceeded our 2022 budget by over 50,000,000 gallons. We are projecting our revenues to increase by \$770,421 or 15.92% due to rate increases and increase in gallons sold. On page W-1 you can see the history of the gallons sold and the expected gallons sold for 2022. Total expenses are projected to increase by \$331,523 or 7.82%. Insurance, motor fuels, utilities, and chemical costs are some of the components of this increase. The Water Department is also budgeting for a new full time position of Distribution Supervisor that would be split 50 /50 with the Wastewater department which increases the payroll expenses for the Water Department by \$58,400.50.

On page WW-1 you can see the history of the flow to the Wastewater plant and the expected flow for 2022. We are projecting total revenues to increase 17.87% or \$520,789 due to the rate increases and the sale of the vector. The expenses are budgeted to increase 11.66% or \$268,183 with the causes of this increase being price increases in insurance, motor fuels, utilities, chemical costs, and addition of 1 ½ full time employees. The Wastewater department is budgeting to create a new full time Wastewater Operator and 50% of the Distribution Supervisor shared with the Water Department. This would increase the payroll expenses for the Wastewater Department by \$166,874.50.

We are budgeting a 2.08% increase in kWh sold from our 2022 projected year to date. Our revenues are set to decrease \$148,910. However, the 2022 budget includes \$1,250,000 from SMMPA for replacing the power plant transformer which did not occur in 2022. When eliminating the SMMPA contribution, our revenue is actually increasing \$951,090. This will help us to offset SMMPA's energy rate increase and also help us prepare for capital projects. Overall expenses will increase by \$1,236,304 which is due to the SMMPA rate increase. The Memo on the Electric Department provides a detailed explanation on how this budget is put together.

We will discuss the proposed budget at the work session on December 6, 2022, the Commission will be asked to adopt the 2023 budget and recommend approval to the City Council. The City Council will be asked to adopt the 2023 budget at the Council meeting on December 12, 2022.

FAIRMONT PUBLIC UTILITIES COMMISSION - 2023 BUDGET

DEPARTMENTAL BUDGET SUMMARY

PAGE M - 1

ELECTRIC DEPARTMENT	2022 BUDGET	2023 BUDGET	INCREASE (DECREASE)	% CHANGE
INCOME	17,231,820	17,082,910	(148,910)	-0.86%
PRODUCTION / PURCHASES	11,735,206	12,869,582	1,134,376	9.67%
DISTRIBUTION EXPENSES	1,627,711	1,752,138	124,427	7.64%
ADMINISTRATION EXPENSES	705,018	719,070	14,052	1.99%
MISCELLANEOUS EXPENSES	706,631	687,039	(19,592)	-2.77%
TRANSFER TO OTHER FUNDS	681,337	664,378	(16,959)	-2.49%
TOTAL EXPENSES	15,455,903	16,692,207	1,236,304	8.00%
NET OPERATING INCOME (LOSS)	1,775,917	390,703	(1,385,214)	-78.00%

WATER DEPARTMENT	2022 BUDGET	2023 BUDGET	INCREASE (DECREASE)	% CHANGE
INCOME	4,839,135	5,609,556	770,421	15.92%
FILTRATION EXPENSES	1,795,028	1,966,653	171,625	9.56%
DISTRIBUTION EXPENSES	652,763	802,707	149,944	22.97%
ADMINISTRATION EXPENSES	190,739	211,875	21,136	11.08%
MISCELLANEOUS EXPENSES	1,444,263	1,477,042	32,779	2.27%
TRANSFERS TO OTHER FUNDS	157,619	171,330	13,711	8.70%
TOTAL EXPENSES	4,240,412	4,629,607	389,195	9.18%
NET OPERATING INCOME (LOSS)	598,723	979,949	381,226	63.67%

WASTEWATER DEPARTMENT	2022 BUDGET	2023 BUDGET	INCREASE (DECREASE)	% CHANGE
INCOME	2,913,732	3,434,521	520,789	17.87%
TREATMENT EXPENSES	961,007	1,179,880	218,873	22.78%
COLLECTION EXPENSES	405,968	476,573	70,605	17.39%
ADMINISTRATION EXPENSES	137,405	136,187	(1,218)	-0.89%
MISCELLANEOUS EXPENSES	693,993	690,482	(3,511)	-0.51%
TRANSFERS TO OTHER FUNDS	101,044	104,292	3,248	3.21%
TOTAL EXPENSES	2,299,417	2,587,414	287,997	12.52%
NET OPERATING INCOME (LOSS)	614,315	847,107	232,792	37.89%

FAIRMONT PUBLIC UTILITIES COMMISSION - 2023 BUDGET

CAPITAL EXPENDITURE BUDGET

ACCT #	DESCRIPTION	BUDGET AMT
ELECTRIC DISTRIBUTION		
	New transformers	\$125,000
	Underground conductors	\$100,000
	Replace high voltage switches	\$120,000
	Downtown lighting/bollard/sign replacement	\$100,000
	Skid loader EZ spotter attachment & trailer	\$40,000
	10th Street sub design	\$60,000
	10th Street Sub relay replacement	\$275,000
	10th Street Sub distr. breaker replacement (SMMPA)	\$640,000
	Replace Power Plant transformer (w/SMMPA)	\$352,500
	New west substation	\$632,850
	Radio replacement	\$12,500
	Replace wood chipper	\$55,000
	Rate study update	\$30,000
	Street improvement projects	\$40,000
	Contingency	\$20,000
	TOTAL CAPITAL EXPENDITURES	\$2,602,850
WATER DEPARTMENT		
	Ground storage tank study/replacement (Industrial Tank)	\$40,000
	Broom for skid Loader	\$6,000
	Purchase Enclosed Job Trailer	\$10,000
	Tilt bed trailer	\$9,500
	Replace truck 3/4 ton	\$55,000
	Purchase used Dump truck - Double Axel	\$75,000
	Lime press equipment replacement	\$18,000
	Lead service line replacments	\$25,000
	Miscellaneous capital items (<\$5,000 ea.)	\$5,000
	Radio Replacement	\$12,500
	Contingency	\$20,000
	2023 Improvement Project	\$225,000
	TOTAL CAPITAL EXPENDITURES	\$501,000
WASTEWATER DEPARTMENT		
	Lift Station rehab/repair/monitoring	\$150,000
	Lift Station Panel Updates	\$100,000
	Contract jetting of large diameter mains	\$15,000
	Radio Replacement	\$7,500
	Diffuser Replacement / Areation Basin Cleaning	\$175,000
	Digester Improvements	\$500,000
	UV/Solids handling upgrade project	\$4,000,000
	Grit Pump Replacement x 2	\$30,000
	Vactor replacment	\$550,000
	RAS/Scum Pump Replacements	\$40,000
	Contingency	\$20,000
	Misc Capital items	\$5,000
	2023 Improvement Project	\$200,000
	TOTAL CAPITAL EXPENDITURES	\$5,792,500

FAIRMONT PUBLIC UTILITIES - 2022 CAPITAL EXPENDITURES SUMMARY

ACCT #	ELECTRIC DEPARTMENT	BUD AMT	YTD EXP	BUDGET BAL	Carryover Into 2023
604-00000-16300	Transformers	\$85,000	\$62,595.59	\$22,404	
604-00000-16300	Automated Meter Infrastructure	\$300,000	\$595,367.99	(\$295,368)	\$380,500
604-00000-16300	Replace high voltage switches & Cable locator	\$88,000	\$17,406.14	\$70,594	\$70,594
604-00000-16300	Underground Conductors	\$85,000		\$85,000	\$85,000
604-00000-16300	2022 Street Improvement Projects	\$10,000		\$10,000	\$10,000
604-00000-16300	Downtown Lighting/Signs/Bollard replacements	\$50,000		\$50,000	\$50,000
604-00000-16400	Track skid loader w/attachments	\$87,000	\$83,773.01	\$3,227	\$3,227
604-00000-16440	Replace vehicles	\$35,000		\$35,000	\$35,000
604-00000-16300	Veteran's Park lighting improvements	\$12,500	\$13,212.92	(\$713)	
604-00000-16420	Label maker and software	\$5,000	\$3,761.74	\$1,238	
604-00000-16300	Replace Power plant transformer with SMMPA	\$1,000,000		\$1,000,000	\$1,000,000
	Contingency	\$20,000		\$20,000	\$20,000
	TOTAL CAPITAL EXPENDITURES	\$1,777,500	\$776,117	\$1,001,383	\$1,654,321
ACCT #	WATER DEPARTMENT	BUD AMT	YTD EXP	BUDGET BAL	
601-00000-16300	Automated Meter Infrastructure	\$600,000	\$699,632.91	(\$99,633)	\$100,000
601-00000-16420	SCADA and PC replacements	\$115,000	\$86,368.05	\$28,632	
601-00000-16400	Purchase leak locating equipment	\$16,000	\$17,649.00	(\$1,649)	
601-00000-16440	Replace truck	\$55,000		\$55,000	
601-00000-16500	Lead and Copper rule assessment/replacements	\$25,000		\$25,000	\$25,000
	Misc. Capital Items	\$5,000		\$5,000	
	Water Contingency	\$20,000		\$20,000	
601-00000-16500	2022 Improvement Project	\$25,000		\$25,000	
601-00000-16500	Industrial Water tower	\$0	\$27,100.00	(\$27,100)	
601-00000-16500	2021 County Road (CSAH) 39 Project	\$0	\$15,949.32	(\$15,949)	
	TOTAL CAPITAL EXPENDITURES	\$861,000	\$846,699	\$30,250	\$125,000
ACCT #	WASTEWATER DEPARTMENT	BUD AMT	YTD EXP	BUDGET BAL	
602-00000-16300	Lift Station Rehab	\$100,000	\$211,611.50	(\$111,612)	
602-00000-16300	Lake Park Blvd Lift Station upgrades	\$120,000	\$2,947.50	\$117,053	
602-00000-16300	Sliplining/manhole rehab projects	\$225,000	\$7,244.68	\$217,755	
602-00000-16300	Contract jetting of large diameter mains	\$15,000		\$15,000	
602-00000-16200	Digester cleaning and repairs	\$100,000	\$167,087.37	(\$67,087)	
602-00000-16200	UV/Solids handling upgrade project	\$1,200,000	\$770,500.00	\$429,500	\$429,500
602-00000-16200	Bar Screen replacement	\$750,000	\$46,225.00	\$703,775	\$715,275
602-00000-16440	Replace truck	\$55,000	\$51,031.35	\$3,969	\$55,000
602-00000-16200	Control Building boiler/AC replacement	\$25,000		\$25,000	\$25,000
602-00000-16200	Polymer blend system (2)	\$25,000		\$25,000	\$12,500
602-00000-16200	Effluent sampler	\$10,000	\$7,581.00	\$2,419	
	Wastewater Contingency	\$20,000		\$20,000	
	Misc Capital items	\$5,000		\$5,000	
602-00000-16500	2022 Improvement Project	\$25,000		\$25,000	
602-00000-16500	2021 County Road (CSAH) 39 Project	\$0	\$33,536.82	(\$33,537)	
602-00000-16200	RAW ACTIVATED SLUGE PUMP	\$10,000	\$10,228	(\$228)	
602-00000-16500	FINAL CLARIFIER SCUM HANDLING	\$125,000	\$12,303	\$112,697	
	TOTAL CAPITAL EXPENDITURES	\$2,810,000	\$1,320,296	\$1,489,704	\$1,237,275

FAIRMONT PUBLIC UTILITIES COMMISSION - 2023 BUDGET

RESERVE ACCOUNTS ESTIMATED 12/31/2023

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<u>ELECTRIC DISTRIBUTION</u>	1/1/23 BALANCE	2023 EXPENSES	2023 RESERVE ADDITIONS	12/31/23 BALANCE
CAPITAL RESERVE ACCOUNT	\$615,000		\$0	\$615,000
604-00000-27210				
INFRASTRUCTURE RESERVE ACCOUNT	\$4,526,000	\$305,000	\$0	\$4,221,000
604-00000-27215				
<u>WATER DEPARTMENT</u>				
CAPITAL RESERVE ACCOUNT	\$740,000		\$0	\$740,000
601-00000-27225				
INFRASTRUCTURE RESERVE ACCOUNT	\$1,355,000	\$225,000	\$0	\$1,130,000
601-00000-27230				
<u>WASTEWATER DEPARTMENT</u>				
CAPITAL RESERVE ACCOUNT	\$640,000	\$550,000	\$0	\$90,000
602-00000-27235				
INFRASTRUCTURE RESERVE ACCOUNT	\$1,983,000	\$1,328,000	\$0	\$655,000
602-00000-27240				

FAIRMONT PUBLIC UTILITIES COMMISSION - 2023 BUDGET

UTILITY DEPARTMENT BUDGETED CASH FLOW SUMMARY

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	ELECTRIC	WATER	WASTEWATER
A. NET INCOME / (LOSS)	390,703	979,949	847,107
B. NON - CASH EXPENSE	450,000	1,000,000	660,000
C. CAPITAL EXPENDITURES	(2,602,850)	(501,000)	(5,792,500)
D. DEBT PRINCIPAL PAYMENT	-	(874,000)	(795,000)
E. BOND PROCEEDS	1,960,350	-	4,500,000
NET CASH FLOW	198,203	604,949	(580,393)

B. NON - CASH (DEPRECIATION)

C. CAPITAL EXPENDITURES.

D. DEBT SERVICE PRINCIPAL PAYMENT ON WATER & WASTEWATER TREATMENT LOANS.

E. PFA NOTE PROCEEDS FOR LIME POND DECOMMISSIONING & WWTF IMPROVEMENTS

FAIRMONT PUBLIC UTILITIES COMMISSION - 2023 BUDGET

UTILITY DEPARTMENTS ESTIMATED CASH POSITION

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	ELECTRIC	WATER	WASTEWATER
CASH BALANCE 01 / 01 / 2022	7,976,756	727,657	3,085,069
RESULTS OF 2022 OPERATIONS	834,366	1,563,286	(1,123,762)
PROJECTED CASH FLOW 2023	198,203	604,949	(580,393)
DESIGNATED FUNDS 12 / 31 / 2023	(4,836,000)	(1,870,000)	(745,000)
<hr/>			
PROJECTED UNDESIGNATED CASH 12 / 31 / 2023	<u>4,173,325</u>	<u>1,025,892</u>	<u>635,914</u>
TARGETED UNDESIGNATED CASH 12/31/2023	4,173,052	1,025,473	634,967
<hr/>			
TOTAL CASH 1 / 1 / 2022	\$11,789,482		
TOTAL CASH ESTIMATED 12 / 31 / 2022	\$13,063,372		
TOTAL CASH ESTIMATED 12 / 31 / 2023	\$13,286,131		

FAIRMONT PUBLIC UTILITIES COMMISSION
AGENDA ITEM CONTROL SHEET

MEETING DATE: DECEMBER 6, 2022 SCHEDULED TIME: 7:30 AM

REVIEWED BY: WATER/WASTEWATER SUPERINTENDENT BRADY POWERS_

SUBJECT: 2023 CHEMICAL BID RESULTS & APPROVAL

SUBJECT INITIATION:

 BY COUNCIL BY COMMISSION X BY STAFF

SUBJECT BACKGROUND BY: WATER/WASTEWATER SUPERINTENDENT BRADY POWERS

INTRODUCED BY: WATER/WASTEWATER SUPERINTENDENT BRADY POWERS

TYPE OF ACTION:

<u> X </u> MOTION (VOICE VOTE)	<u> </u> DISCUSSION/REVIEW
<u> </u> RESOLUTION (ROLL CALL)	<u> </u> INFORMATION ONLY
<u> </u> HOLD PUBLIC HEARING (MOTION TO CLOSE)	<u> </u> SET PUBLIC HEARING (MOTION)

RECOMMENDED ACTION BY: COMMISSION COMMITTEE X PUC STAFF

<u> </u> ISSUANCE	<u> X </u> APPROVAL	<u> </u> AUTHORIZATION
<u> </u> DENIAL	<u> </u> REJECTION	<u> </u> NO ACTION NECESSARY

STATEMENT:

CHEMICAL BIDS RECEIVED FOR 2023 WERE OPENED DECEMBER 1, 2022.
 RESULTS OF THE BID OPENING WILL BE SUMMARIZED AND GIVEN AT THE MEETING

APPROVAL IS REQUESTED FOR THE 2023 CHEMICAL BID RESULTS.

ATTACHMENTS:

1.

PUC ACTION: AGENDA ITEM NO. 4

DATE: PAGE NO. 10