

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Simon, Kottke, Rossi and Doyal. Absent was Commissioner Cosens. Also present were General Manager Fritsch; City Administrator Busse; Chief Financial Officer Fondell; Director, Engineering Johnson; Director, Field Operations Warehime; Manager, Human Resources Madson; Supervisor, Accounting Sedivy; Executive, HR & Administration Coordinator Schmoll; and Energy Conservation Officer Hendricks. Other guests were Mary Reedy from CliftonLarsonAllen LLP.

Commissioner Simon led the Pledge of Allegiance.

Minutes

The Minutes from the regular Commission meeting of March 28, 2017 were presented to the Commission. Commissioner Doyal approved the Minutes as submitted. Commissioner Rossi seconded the motion. All Commissioners voting Aye, the motion passed.

Auditor's Report

Chief Financial Officer Fondell introduced Mary Reedy from CliftonLarsonAllen LLP to present the Auditor's Report for 2016. Ms. Reedy reported OPU received a clean audit with no findings. She further discussed the liability to the Public Employees Retirement Association. She noted it is not possible to budget for those liabilities because there is no way to know ahead of time what assumptions they will change each year. They are currently looking at decreasing the investment rate of return assumption. If that happens, the liability to individual entities will increase. With this being a fairly new item, it is hard to tell how it will end up.

Ms. Reedy discussed the operating incomes for electric, water and natural gas, as well as reserve levels, and cash flow statements. Commissioner Rossi inquired as to how OPU compares to other utilities. Ms. Reedy noted the water and natural gas utilities are better than I have seen. All three utilities are operating self-sufficiently and that is very important.

The Commission thanked Ms. Reedy for her presentation. Ms. Reedy left the meeting.

Committee Reports

Personnel Committee – Commissioner Rossi reported the Personnel Committee met, and received reports on Staffing and union negotiations. He noted the positions of Rebate Coordinator and Buildings & Facilities Maintainer have been filled and the union voted to approve negotiated proposals and a 3-year contract.

Finance Committee – Commissioner Simon reported the Finance Committee met, reviewed and approved Vouchers in the amount of \$5,251,302.81. They also approved one work order for the purchase of more transformers. The year to date numbers look good in that OPU is ahead of budget in net income in all three utilities.

City Administrator Report

City Administrator Busse reported the Brooktree Golf Course is open and a new contract has been signed with the new owners of the Master's Bar and Grill. Mrs. Busse further reported the Library board, with the help of Troy Klecker as acting Director, have been doing strategic planning and will move forward with the process of hiring a new Library director. Mrs. Busse concluded by reporting a

tree planting ceremony for retirees is planned for later in the week. The City plants a tree in a retiring employee's name to honor them.

Contributed Services

The Contributed Services report as of March 31, 2017 was presented to the Commission. The Commission signed the report.

Chief Financial Officer Fondell presented a 2016 year-end report of the Contributed Services. She noted the report includes use tax, energy conservation lighting projects, miscellaneous contributed services (such as Christmas lights), and the billing to the County for the Four Seasons Center which reduces the overall contributed services. She noted 2016 was very comparable to 2014 and 2015.

Operations/Scorecard

Staff updated the Commission on changes to the March 2017 scorecard. Commissioner Rossi inquired about an explanation of the cost savings/cost avoidance section. General Manager Fritsch explained this is where we capture savings the different departments have incurred over the past months. For instance, the water engineer was working with the City on a construction project that included moving pipe. He negotiated a different plan with them which saved OPU and the City money. So this is where those savings are recorded as costs avoided. We average over \$100,000 per year and are expecting some big savings again this year.

General Manager/Staff Report

General Manager Fritsch reported to the Commission employees and leaders are being trained on how to conduct crucial conversations in a productive manner. He further noted supervisors and managers are being trained on OPU's progressive discipline program guidelines. Commissioner Rossi inquired if this is replacing a non-existing system. General Manager Fritsch replied, we have been following the system, it is now in written, documented form.

Director, Engineering Johnson reported OPU received a Certificate of Excellence for Reliability from the American Public Power Association. OPU's average outage duration of each customer served is 22 minutes. The regional average is 88 minutes. For the average outage duration of customers affected, OPU's average is 83 minutes versus the regional average of 153.

Executive, HR & Administration Coordinator Schmoll updated the Commission on the 2nd Annual OPU Employees Club Easter Egg hunt. She reported 37 children participated in finding over 600 eggs, played games and received a small snack.

Commission Roundtable

Commissioner Kottke congratulated the Accounting staff on the good audit report.

Commissioner Rossi inquired, even though the audit report was good, do we have concern there is only 2 months of cash on hand in the electric utility. Chief Financial Officer Fondell responded, the one thing Ms. Reedy did not touch on was the fact the electric utility reserves funded the power plant repurposing project. Because of that, electric reserves are being replenished through inter-utility rent payments from the water and natural gas utilities. She further noted, with the very modest net

income budgeted for the year and modest increases in electric rates in the coming years, our annual results should improve. Healthy reserves and no debt is very favorable for OPU.

Commissioner Doyal thank staff for their transparency and willingness to share information.

Adjournment

There being no further business to come before the Commission, Commissioner Kottke moved to adjourn the meeting. Commissioner Rossi seconded the motion. All Commissioners voting Aye, the meeting adjourned at 4:41 p.m.

Respectfully submitted,

Tammy Schmoll,
Executive, HR & Administration Coordinator