Board of Water Commissioners
of the City of Saint Paul

July 9, 2013
Meeting

Agenda
and
Minutes

BOARD OF WATER COMMISSIONERS

July 9, 2013

Meeting Agenda

CONSENT AGENDA:

NOTE: ALL ITEMS LISTED UNDER CONSENT AGENDA WILL BE ENACTED BY ONE MOTION. THERE WILL BE NO SEPARATE DISCUSSION OF THESE ITEMS. IF DISCUSSION IS DESIRED, THAT ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND CONSIDERED SEPARATELY.

1. Approval of the Minutes of the regular meeting of June 2013.

2. Approval of the Financial Statements for the month of May 2013.

3. Resolution No. 7226 pertaining to a Thirty-Third Rider to Agreement with the City of Little Canada to provide for construction and maintenance of storm sewer improvements within Board-owned right-of-way west of Spruce Street and south of Country Drive in Little Canada.

ACTION ITEMS:

4. Resolution No. 7227 pertaining to a professional services agreement with Tank Industry Consultants to provide water tower rehabilitation planning services.

5. Resolution No. 7228 pertaining to an Amendment No. 2 to Agreement with Bolton & Menk, Inc. to provide additional construction engineering services required to complete the Dale Street Reservoir project.

DISCUSSION ITEM:

6. 2014 Budget (Attachment to be handed out at the Board Meeting)

GENERAL MANAGER'S REPORT

INFORMATIONAL ITEMS:

A. Investment Report – 4th Quarter 2012 (attachment)
B. 2012 Annual Financial Report (attachment)

BOARD OF WATER COMMISSIONERS

July 9, 2013

Meeting Minutes

This publication is a summary of meeting proceedings.

The full text is available upon request at 651-266-6275.

President Anfang called the meeting to order at 5:00 p.m. in the Committee Hearing Room 330, City Hall.

Roll call.

Present: President Anfang, Assistant Secretary Tschida, Commissioners Bykowski, Kleindl, Lantry, and Rossbach.

Excused: Secretary Gagnelius and Commissioner Tolbert.

Vice President Brendmoen arrived before Item No. 4.

Steve Schneider, General Manager; and Dave Schuler, Saint Paul Regional Water Services.

CONSENT AGENDA:

Consent Agenda Item Nos. 1 through 3 were moved for approval by Commissioner Lantry and seconded by Commissioner Bykowski as follows:

1. Approval of the Minutes of the regular meeting of June 2013.

2. Approval of the Financial Statements for the month of May 2013.

3. Resolution No. 7226 pertaining to a Thirty-Third Rider to Agreement with the City of Little Canada to provide for construction and maintenance of storm sewer improvements within Board-owned right-of-way west of Spruce Street and south of Country Drive in Little Canada.

Approved Yeas - 5 Nays - 0

ACTION ITEMS:

4. Resolution No. 7227 pertaining to a professional services agreement with Tank Industry Consultants to provide water tower rehabilitation planning services.

Mr. Schneider explained that the agreement addresses long-term water tower rehabilitation planning, design and inspection services. Tank Industry Consultants was selected through a competitive bidding process that included Bolton & Menk and SEH. The agreement has a not to exceed cost of $600,000 through May 31, 2017 and provides an option for three additional 2-year terms (total of 10 years), upon mutual agreement.

Resolution No. 7227 was moved for approval by Commissioner Lantry and seconded by Commissioner Rossbach as follows:

WHEREAS, the Board of Water Commissioners desires to obtain professional services required to provide water tower rehabilitation planning, design and inspection services for its 15 elevated water towers; and

WHEREAS, staff did solicit proposals from firms qualified to provide said services, and from such proposers does recommend the firm of Tank Industry Consultants, at a cost not to exceed $600,000; and

WHEREAS, City of Saint Paul Contract and Analysis staff has prepared an agreement which sets forth the specifications for providing said services, and staff does recommend approval of said agreement; now, therefore, be it

RESOLVED, that the Agreement between the Board of Water Commissioners and Tank Industry Consultants to provide water tower rehabilitation planning, design and inspection services is hereby approved, and that the proper officers are hereby authorized and directed to execute said Agreement on behalf of the Board.

Approved Yeas - 6 Nays - 0

5. Resolution No. 7228 pertaining to an Amendment No. 2 to Agreement with Bolton & Menk, Inc. to provide additional construction engineering services required to complete the Dale Street Reservoir project.

Mr. Schneider explained that the $15,700 cost of the amendment to provide additional construction engineering services is fully offset by a change order with the construction contractor, Preload Concrete Structures Inc., whose performance caused the need for additional engineering services. The change order with Preload also reimburses the Board $9,800 for additional staff costs incurred as a result of Preload's performance.

Resolution No. 7228 was moved for approval by Commissioner Bykowski and seconded by Commissioner Lantry as follows:

WHEREAS, the Board of Water Commissioners entered into an agreement with Bolton & Menk, Inc. dated April 5, 2011 to provide professional construction engineering services required for the construction of a 10 million gallon ground level water reservoir at its Dale Street Reservoir site in Roseville, Minnesota at a cost not to exceed $111,600 (the "Initial Agreement"); and

WHEREAS, the parties executed Amendment No. 1 to Agreement dated April 10, 2012 which provided additional services at the same hourly rate as the Initial Agreement and at a cost not to exceed $19,250, bringing the total cost of the Initial Agreement, as amended, to $130,850; and

WHEREAS, Bolton & Menk, Inc. has faithfully complied with all requirements and conditions of the Initial Agreement; and

WHEREAS, the parties desire to further amend the Initial Agreement to provide for additional construction engineering services required for the completion of the project, made necessary by construction of the reservoir taking longer than originally estimated by the contractor; and

WHEREAS, staff has prepared Amendment No. 2 to Agreement which sets forth the conditions

for providing said additional services at hourly rates no higher than those in the Initial Agreement and at a cost not to exceed $15,700, bringing the total cost of the Initial Agreement, as amended, to $146,550; and

WHEREAS, staff recommends approval of said Amendment; now, therefore, be it

RESOLVED, that Amendment No. 2 to Agreement between the Board of Water Commissioners and Bolton & Menk, Inc. to provide additional construction engineering services necessary to complete the construction of a 10 million gallon ground level water reservoir at the Board's Dale Street Reservoir site at a cost not to exceed $15,700 is hereby approved in substantially the form submitted, and that the proper officers are hereby authorized to execute said Amendment on behalf of the Board following approval by the assistant city attorney.

Approved Yeas - 6 Nays - 0

DISCUSSION ITEM:

6. 2014 Budget

Mr. Schneider presented his 2014 Budget recommendation letter (attached).

2014 Budget Process

- August 27, 2013 Budget Workshop - 5pm at McCarrons
- September 3, 2013 Board meeting - 5pm meeting at McCarrons to include public hearing on proposed budget and water rates. Board to recommend a budget and water rates to the city council at this meeting, or at its October meeting, at the latest.
- December, 2013 - City Council to adopt budget and water rates by resolution after a public hearing as part of the City budget process.

GENERAL MANAGER'S REPORT

1. Highland Fest

Highland Water Tower Open House will be conducted on Saturday, July 20 and Sunday, July 21, 2013 in conjunction with Highland Fest.

2. Electronic Board packet

Mr. Schneider said he will inquire of Board members by e-mail to find out who would like to receive the Board Meeting Packet electronically as a PDF by e-mail instead of a mailed hard copy.

Motion to adjourn was made by Commissioner Lantry and seconded by Vice President Brendmoen.

Approved. Yeas - 6 Nays - 0

The meeting was adjourned at 5:44.

Attest:

Asst. Secretary Tschida

President Anfang

BOARD OF WATER COMMISSIONERS

President: Matt Anfang • *Vice President:* Amy Brendmoen

Commissioners: James Bykowski • Gregory Kleindl • Kathy Lantry • Chris Tolbert • Will Rossbach

July 09, 2013

Board of Water Commissioners

Dear Commissioners:

Re: 2014 Budget

OVERVIEW:

This budget has an increase in total revenue projected at $900,000. The following is a summary of the highlights:

- The increase in revenue comes, first, from the introduction of a water service base fee for our wholesale customers and from a $0.05/100 cu. ft. rate increase. These changes, when combined with consumption pattern changes and changes in wholesale rates will actually generate a net total of $814,000 in additional revenue.
- Second, increases in various miscellaneous revenues are projected to increase $109,000.
- Last, the use of retained earnings will decrease $22,000 to present a balanced budget.

This budget reflects an increase in spending of $900,000. This includes an increase in operating expenses of $260,000 and an increase in revenue funded capital improvements of $761,000, along with a decrease in debt service of $121,000.

There is no debt funded capital in this proposed budget.

REVENUE:

Sale of Water:

There is no change in the projected volume of water to be sold in 2014. Our total consumption base will remain at 1.839 billion cubic feet.

SAINT PAUL REGIONAL WATER SERVICES

Stephen P. Schneider, General Manager

1900 Rice St., Saint Paul, MN 55113-6810 • TTY: 651-266-6299 • 651-266-6350

Saint Paul Regional Water Services provides quality water services to the following cities:

Arden Hills • Falcon Heights • Lauderdale • Little Canada • Maplewood • Mendota • Mendota Heights • Roseville • Saint Paul • West St. Paul

An Affirmative Action Equal Opportunity Employer

AFSCME

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The proposed $0.05/100 cu. ft. water rate increase and the water service base fee will result in an increase of $902,000 for a total of $48,059,000 from the sale of water. The net effect of the increase from water rates is offset by an increase in revenue due to changes in consumption patterns and decreases from changes in the wholesale water rates. The total effect of all the changes is an increase in revenue of $814,000 from the sale of water.

Water Revenue	$902,000
Pattern Changes	42,000
Wholesale Changes	(130,000)
Total	$814,000

Rates:

There will be no change in the water service base fee. This base component will enable the utility to recover a portion of those fixed charges that are incurred annually. The fee is based on the size of the meter. The fee increases as the meter size increases to reflect the increased cost of providing peak volume capacity.

Meter Size	Number of Meters	Water Service Base Fee (Monthly)	Projected Revenues
5/8 &3/4 Inch	80,367	$3.00	$2,917,000
1.0 Inch	8,756	$7.50	$795,000
1.5 Inch	2,414	$15.00	$431,000
2.0 Inch	1,345	$24.00	$386,000
3.0 Inch	344	$48.00	$198,000
4.0 Inch	227	$75.00	$205,000
6.0 Inch	65	$150.00	$115,000
8.0 Inch	22	$240.00	$60,000
10.0 Inch	4	$345.00	$17,000
	93,544		$5,124,000

The fee for a typical resident user is $3.00 per month or $9.00 per quarter in 2014.

This budget has a rate increase of $0.05/100 cu. ft. as follows: [1]

	100 cubic feet			
	2013	2014	Percent Increase	
Winter rate	$2.29	$2.34	(2.18%)	Avg.=(2.14%)
Summer rate	$2.39	$2.44	(2.09%)	

[1]for Cities of Saint Paul, Falcon Heights, Lauderdale, Maplewood, and West Saint Paul

If we assume an average consumption of 88 units (65,824 gallons), the impact on the average family is an increase of approximately $4.40 per year for a total annual cost of $246.32.

Other Revenue:

This budget does show an increase in other miscellaneous operating and non-operating income for $108,000. The most notable changes here are an increase in antenna revenues for $69,000.

EXCESS OPERATING CASH:

The actual excess operating cash at the end of 2012 was $4,999,000. The projected excess operating cash at the end of 2013 currently is $4,057,000. With this budget, the projected excess operating cash at the end of 2014 will be $3,927,000. A detailed of the cash changes is outlined in the attached appendix.

EXPENSES:

Operations:

Total operating costs have increased $260,000 over 2013 levels. The table below summarizes the total changes.

· Salaries	($17,000)
· Fringes	$133,000
· Services	$262,000
· Supplies and Misc.	($118,000)
Total Operating Expenses	$260,000

This budget has an overall decrease of 1.0 FTE in this budget. This is in the meter reading area and is due to the implementation of the radio reading technology. We are planning for 2.4 percent increases in wages from contract negotiations. The remaining salary changes are for step increases in various areas. Fringe benefits are expected to increase approximately $133,000; this is due to a 2.0 percent rate increases. The net change in salaries and fringes is an increase of $116,000.

We anticipate the cost of services to increase $262,000. The right-of-way recovery fee will remain at the 2013 budgeted level of $1,885,000 and costs related to debt service and the maintenance for the City's new finance system remained constant at $427,000, other central service fees increased $74,000, bringing the total City fixed fees to $4,230,000. The remaining increase is directly related to water production and distribution maintenance.

Supplies and other miscellaneous expenses are expected to decrease $118,000 over 2013 levels. Chemicals, electricity, and fuel and energy costs have decreased $171,000. Other miscellaneous supplies and expenses have increased $53,000.

	2013 Budget	2014 Budget	Difference	% Change
· Chemicals	$3,615,000	$3,545,000	($70,000)	-1.94%
· Electricity	$1,748,000	$1,678,000	($70,000)	-4.00%
· Fuel and Other Energy	$931,000	$900,000	($31,000)	-3.33%
	$6,294,000	$6,123,000	($171,000)	

DEBT:

We refinanced debt in 2013 and this has enabled us to decrease the debt service payments $121,000.

CAPITAL:

Our capital program for 2014 includes:

· Business	$ 345,000
· Distribution	$ 7,800,000
· Production	$ 2,033,000
· Equipment and Small Capital	$ 1,190,000
Total	$11,368,000

Revenue Funded Capital Improvements:

This budget shows an increase of $761,000 in revenue funded capital improvements. There is an increase for distribution mains and hydrants, and in the business and production area. Our program includes replacing approximately 9.0 miles of water main, 800 water connections, and 150 hydrants. This includes replacing all cast iron mains in the project areas. We are making necessary improvements to our water towers, pumping stations, and small capital and equipment in all areas of the utility.

Debt Funded Capital Improvements:

There is no debt funded capital in this proposed budget.

MISCELLANEOUS:

There are a few major professional service agreements in addition to those presented for the capital program. The University of Minnesota for water quality research models, Supervisory Control and Data Acquisition (SCADA) and Programmable Logical Controllers (PLC) updates, GIS enhancements, other technology related services, including enhancements to our Customer Information System (CIS). We have contracted out security and will be monitoring and evaluating coverage levels.

CLOSING STATEMENT:

With this budget, there is no increase in the water service base fee. We are requesting a 1.7% increase in water fees. The rates provided are necessary to fund operating and maintenance costs, debt service, the capital program at predefined levels. This rate increase will enable us to provide the same base level of service with a 7% increase in revenue funded capital spending.

I recommend the Board recommend this budget for approval as presented. Saint Paul Regional Water Services (Regional Water) continues to provide great water and services to our customers and continues to do so at a reasonable cost. We have been able to do so while continuing to increase our investment in our future through infrastructure replacement and making routine preventive maintenance a priority to ensure these assets last as long as possible. Regional Water has shown that we are effective at efficiently utilizing our available resources to provide these services yet are flexible enough to adjust our spending and programs when the estimated resources do not materialize. At all times, we act as responsible stewards of not only our natural resources but our financial resources as well.

I would like to extend my appreciation for the continued support shown by the Board for the operation of Saint Paul Regional Water Services. We continue to update and improve the way we do business and will always be looking for ways to move our organization forward. Regional Water's employees continue to show their dedication and attention to detail each day. We are recognized as leaders in our industry and could not do so without your support. Thank you.

Sincerely,

Stephen P. Schneider
General Manager

SPS/reo