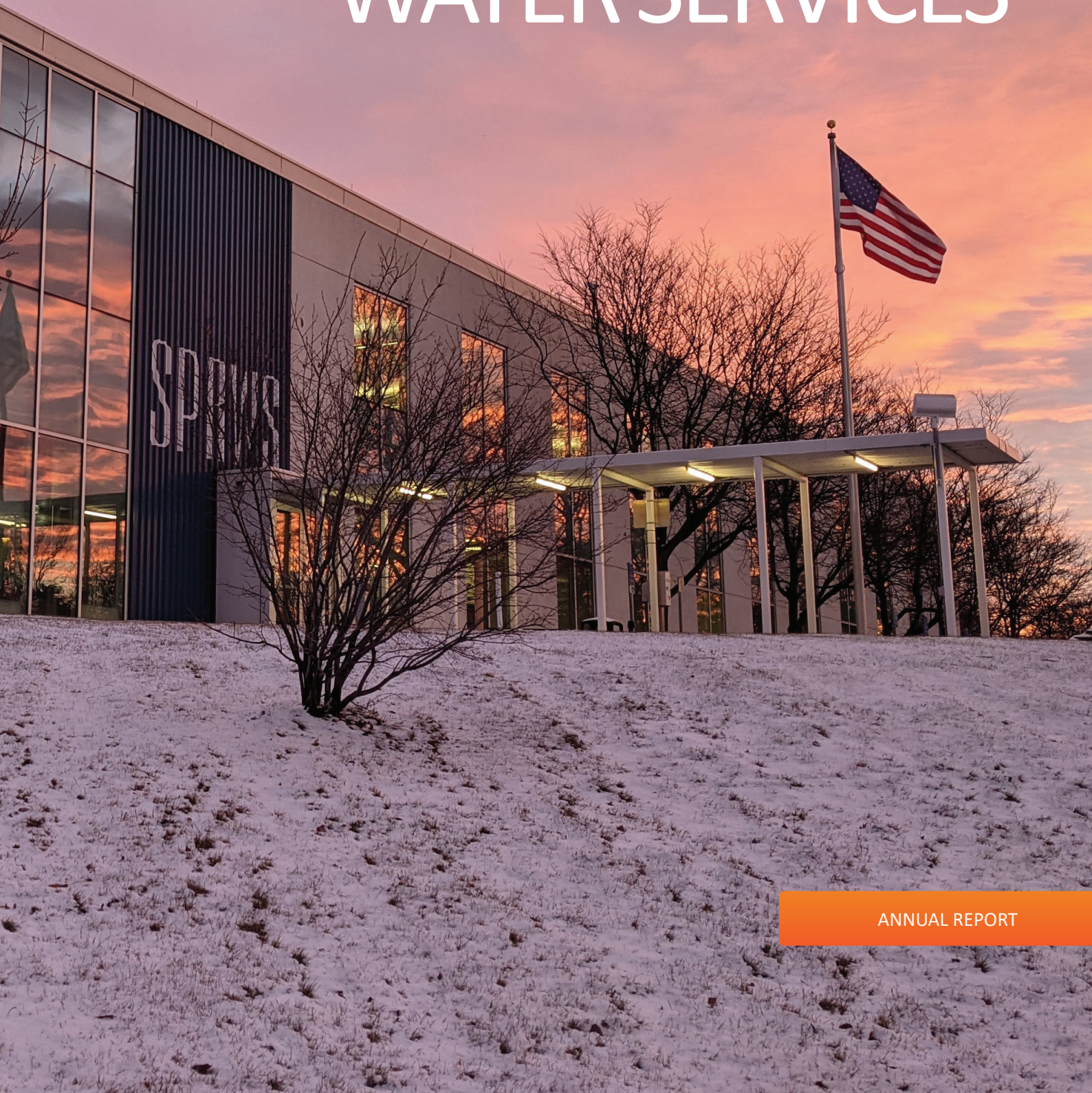


2021 SAINT PAUL REGIONAL WATER SERVICES



ANNUAL REPORT



ANNUAL REPORT

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SPRWS VISION

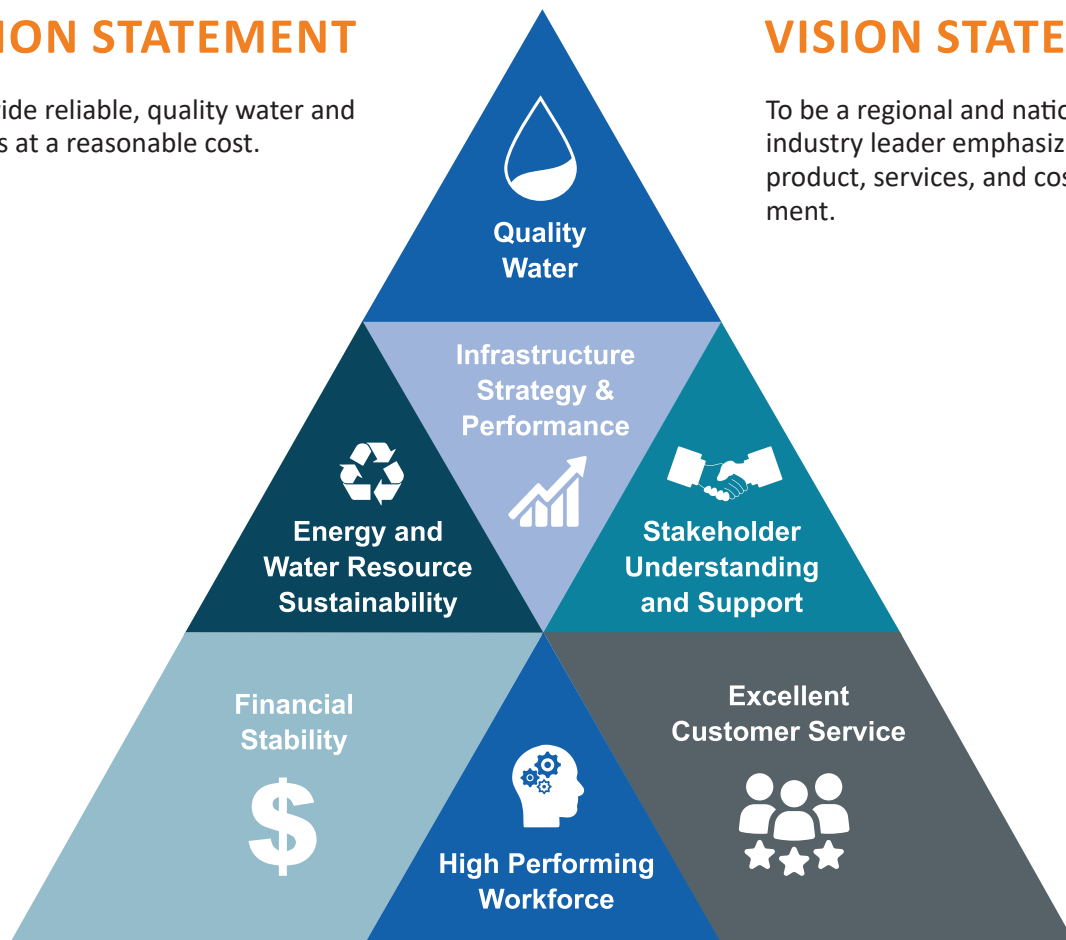
MISSION

MISSION STATEMENT

To provide reliable, quality water and services at a reasonable cost.

VISION STATEMENT

To be a regional and national water industry leader emphasizing quality product, services, and cost containment.



SPRWS PYRAMID OF SUCCESS

HIGH LEVEL OVERVIEW OF ORGANIZATIONAL GOALS

Each component of the new SPRWS Pyramid of Success is as important as the next in our overall ability to meet our mission.

We believe that the bottom layer of goals is the foundation to our success from which we can build upon.

As we become more efficient and grow at each layer of the pyramid, it then enables us to enhance what we are able to do with the next layer of goals.

The top of the pyramid is our ultimate goal of providing quality water to our customers now and into the future.

MESSAGE FROM THE GENERAL MANAGER



Safe, reliable drinking water is essential to every community.

As the Covid-19 virus continued, it affected both the population we serve and business practices in place to serve that population. SPRWS continued to suspend its discontinuation of water services (water shut off policy) to customers for any reason to ensure that all had access to tap water in their homes and businesses.

In addition to dealing with the continuing challenges of COVID, the summer of 2021 saw the first time since 1988 that the utility had to impose watering restrictions on its customers. An ongoing drought dropped Mississippi River water levels low enough to trigger Department of Natural Resources rules designed to protect the water supply. While only in effect for several weeks, our customers rallied to cut back on water use, especially in yards and gardens, to get our water pumpage rates where they needed to be.

Saint Paul Regional Water Services employees continued to provide water to more than 450,000 customers in Saint Paul and our surrounding suburban communities despite the challenging work environment.

Our staff of 262 employees ensures we are true to SPRWS' mission of providing quality water and services to our customers at a reasonable cost. Our water was voted "Best in Glass" at the Minnesota Section of the American Water Works Association conference in 2021, showing our high-quality water with award-winning taste.

Despite the additional challenges on staff and the communities we serve from both COVID and the drought, SPRWS continued to address current needs while planning for the future. Replacement and refurbishment of water main continued in 2021. About 6.2 miles of aging water main was replaced this year.

Our plan and design for a 15-year initiative to rehabilitate and protect our supply conduits to increase their useful life was implemented in 2021. Current water treatment continues to be excellent and we continue to have minimal taste and odor complaints from our customers.

The McCarrons treatment plant improvement project to update our treatment capability to address future regulatory changes continues to move forward. Jacob's Engineering completed the design process and the required pilot testing in 2021. Construction will take place in the years 2022-2026.

This work could not be completed if it weren't for the great group of support personnel who do excellent work maintaining the financial condition of the utility, providing great customer service, and maintaining our technology that we have come to heavily rely upon. In 2021, our virtual desktop environment continued to be instrumental in allowing a percentage of our office-based staff to work from home as needed.

As always, I am proud of our accomplishments and the daily efforts put forth by the employees at SPRWS. I hope you share in that sentiment and I thank you for your interest in SPRWS.

A handwritten signature in blue ink, appearing to read "Patrick Shea". The signature is fluid and cursive, written over a light blue horizontal line.

Patrick Shea
General Manager

BOARD OF WATER COMMISSIONERS

LEADERSHIP

PRESIDENT

MARA HUMPHREY



VICE PRESIDENT

NELSIE YANG



COMMISSIONERS



MARYLEE ABRAMS



AMY BRENDMOEN



JAMES BYKOWSKI



ALENE TCHOURUMOFF



CHRIS TOLBERT

SPRWS EXECUTIVE TEAM THROUGH MARCH 2021



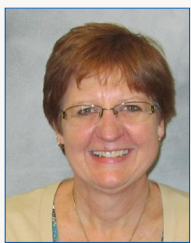
GENERAL MANAGER

STEVE SCHNEIDER



ASSISTANT GENERAL MANAGER

PATRICK SHEA



BUSINESS

DOLLY LUDDEN



DISTRIBUTION

BRAD EILTS



ENGINEERING

DAVE WAGNER



PRODUCTION

JIM BODE

JULY 2021 SPRWS EXECUTIVE TEAM

LEADERSHIP

GENERAL MANAGER

PATRICK
SHEA



ASSISTANT GENERAL MANAGER

RACQUEL
VASKE

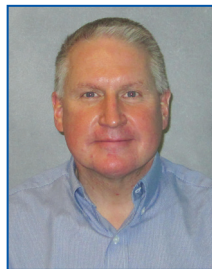


BUSINESS



DOLLY
LUDDEN

DISTRIBUTION



TODD
BLOMSTROM

ENGINEERING



DAVE
WAGNER

PRODUCTION



JIM
BODE

The SPRWS Executive Team saw significant change in 2021.

The end of March saw the departure of Steve Schneider after 30 years of service, the last 16 being in the role of general manager.

March was also the last month at the water utility for Brad Eilts, who had in more than 40 years of service to the utility.

Their departures had something of a domino effect on the team, as Schneider's retirement allowed

Patrick Shea to move into the role of general manager.

That in turn allowed Racquel Vaske to move into the slot of assistant general manager in July of 2021.

Brad Eilts' departure meant an opportunity for Todd Blomstrom to join Saint Paul Regional Water Services as the new distribution division manager.

Looking into the future, both Dave Wagner and Jim Bode will be retiring in 2022.

While their replacements are not known in 2021, the overlap of years of experience will help transition this year's team from one with an average of about 30 years of experience at SPRWS working with each other, to one that is newer, younger, and with more outside experience at other utilities to bring to the table.

The future of SPRWS is in good hands.



COVID-19

PANDEMIC RESPONSE

“Even in the midst of the pandemic, SPRWS continued to produce high-quality, award-winning water.”

The COVID-19 Preparedness Plan developed in 2020 was updated and managed by the security officer to ensure those who reported to work could do so in a manner that met the state of Minnesota and city requirements. The office also represented the utility on a city-wide team evaluating appropriate next steps.

The safety officer was assigned sanitation and disinfection activities related to COVID-19. If an employee reported a potential exposure and/or positive test, the area was isolated, and a professional contractor sanitized the work areas. The safety officer was responsible for maintaining sanitation stations, masks, gloves, and other personal protective equipment.

Human resources quickly adjusted to changes in policy and staffing needs in response to a significant increase in school closures and other COVID-related absenteeism.

Due to the pandemic, many community activities in the areas we serve were cancelled, including the utility’s own open house and Highland tower open house.

However, other communications efforts increased, including more website and social media updates and using GovDelivery to provide information directly to customers affected by construction work.



Despite the pandemic, Saint Paul Regional Water Services continued to produce award-winning water.

SPRWS won Minnesota’s Best Tasting Water at the Minnesota Section of the American Water Works Association conference in Duluth in 2021.



DROUGHT

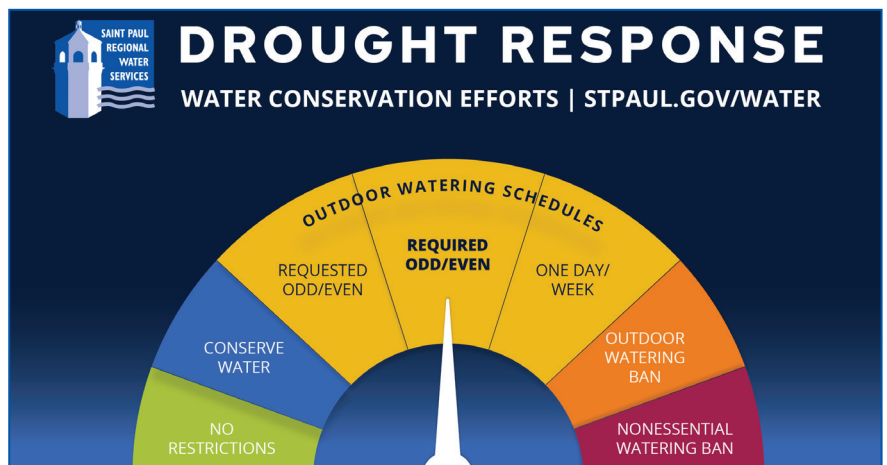
DROUGHT RESPONSE

“For the first time since 1988, SPRWS needed to implement watering restrictions to reduce water use.”

In addition to COVID, the administration team spent a significant amount of time responding to summer drought conditions.

As severe drought conditions impacted communities across the state, Saint Paul Regional Water Services implemented voluntary and then required watering restrictions in July and August of 2021.

The flow rates at our intake station on the Mississippi River greatly dictate the necessary actions to reduce customer demand. These moves were the first of their kind at SPRWS since 1988 and were necessary to help encourage customers to restrict their lawn watering to odd or even days of the month based on address number. Our public relations manager spent a great deal of time working to communicate water restrictions put in place due to the drought. The website, emails, press releases, and social media were used to contact our customers and inform



them of the new watering rules. Our Business Improvement Unit and human resources teams also worked to ensure internal staff were trained on the decisions being made and could help customers with their variety of drought related questions and concerns.



Top, a graphic to encourage odd-even watering was posted on the city’s social media channels during the drought. Above right, Racquel Vaske, assistant general manager, speaks on the drought on Fox 9 TV news.

MAKING IT ALL HAPPEN

OPERATIONS

“As turnover continues due to retirements, BIU plays a crucial role in transferring knowledge.”

HUMAN RESOURCES

Another large project in 2021 was the renewal of many of the union contracts which our employees work under. Our Human Resources team helped to represent SPRWS in negotiations and make sure the decisions being made worked for our employees and organization.

Unfortunately, Tri- Council, our largest bargaining group, was unable to come to a quick agreement and filed an intent to strike. This action resulted in the administration team working together to update/develop strike preparation plans that had not been needed in many years.

Fortunately, the city and Tri-Council were able to come to an agreement and a strike was avoided.

Patrick Shea, general manager, gets a photo taken by the Pioneer Press as part of an article about Shea taking over as general manager from long-time manager Steve Schneider in March of 2021.

BUSINESS IMPROVEMENT UNIT

The Business Improvement Unit team worked diligently on its initiatives; including the coordination and facilitation of the activities related to the upcoming SPRWS Strategic Plan update for 2022. This was an extensive process in which the Board of Water Commissioners and all employees were provided the opportunity to share their experiences, concerns, and innovative ideas for the future. Having these open and honest conversations at all levels of the organization has allowed us to gather diverse input that will guide our goals and initiatives. BIU has led the effort to document the requirements to select and purchase a new SPRWS Customer Portal to achieve the strategic goal of providing for an excellent customer experience. Also, BIU coordinates content and new user training for the internal monitor system (electronic billboards or EBB's) to improve information sharing across the organization. BIU driven asset management standards and protocol development continues in the production division. As the utility continues to experience turnover due to retirements, BIU has played a crucial role in the efforts to transfer knowledge by documenting business processes and interviewing soon to be retirees.



MAKING IT ALL HAPPEN

OPERATIONS

SECURITY

Safety and security coordination for the Water Treatment Plant Improvement Project aligned awareness and expectations between contractors and the utility. A new visitor registration system was rolled out to provide a more efficient visitor experience and accountability for personnel on site. Security control projects began to improve monitoring and access management. Safety training program overhaul began to ensure employees receive the appropriate training curriculums for their positions.



A worker flushes a water hydrant during annual testing.

FINANCE

Financial services staff completed and published the 2020 annual financial report; the report was well received by the State Auditor and reflected well on the utility.

The team also published the annual budget that ensures long-term financial stability and integrity.

Staff provide information necessary for the utility to manage its financial position by: developing a budget; tracking revenues and expenses; processing accounts payable and accounts receivable invoices; collecting and processing payments; providing monthly reports to managers and to the Board of Water Commissioners; and ensuring appropriate internal controls.

METER OPERATIONS

The radio meters are functioning very reliably. Accordingly, we have had continued success basing water bills on actual usage and minimizing estimated bills. Meter operations will continue to track, trend, and report the register mis-reads and failures in an effort to keep the capture rate at 100 percent.

We are in the process of configuring a meter testing data base in CIS to populate record historic test results back to 2013. With this data available, we will continue to create a comprehensive meter testing schedule with the goal of identifying the optimal interval or accumulated consumption for initiating meter testing and replacing meters by account. Even though still in a pandemic, we tested 100 percent of all meters 3-inch and larger.

The High Usage Alert program started in December of 2017, and we have reached out to more than 14,000 customers. The goal is to not only notify the customer, but also educate them to prevent them from having leaks in the future.

MAKING IT ALL HAPPEN

OPERATIONS



The 18-million-gallon Highland Reservoir was demolished in 2021.

RESERVOIR DEMO

The 18-million-gallon Highland water reservoir was demolished. The site will be utilized by the city of Saint Paul Parks and Recreation as a soccer field moving forward. The reservoir was originally constructed in 1924.

PLUMBING PERMITS

A new on-line system for water permits was implemented this year.

REACTIVE MAINTENANCE

The water utility performs emergency repairs on water mains and services. We made 120 repairs in 2021. We also provide water main break repair services to other municipalities outside our service area, responding to main breaks in the cities of Oakdale and Newport and White Bear Township.

WATER MAIN AND LEAD REPLACEMENT

Upgrading our aging distribution infrastructure is of utmost importance to providing reliable water to our customers into the future. Water main construction is coordinated in collaboration with public works improvement projects. Main replacements are prioritized on mains at the highest risk for failure following our water main prioritization methodology.

The utility continues to replace that portion of lead water service lines in the right-of-way. This work is being coordinated at locations where water main and public works construction is being performed. For the private property side of lead services, grants were provided in 2021 to selected properties to assist with the replacement of their portion of lead service. Grant dollars were provided by the State of Minnesota to make this possible.



Crews prepare to replace lead water service lines.

BY THE NUMBERS

- ▶ 40.9 million gallons of water per day were produced on average
- ▶ \$3.4 million was invested in purchasing chemicals used in the treatment process
- ▶ Electrical costs were \$1.078 million or \$72.17 per million gallons pumped of finished water
- ▶ 8 water quality complaints were logged in 2021
- ▶ 6.2 miles of water main replacement and rehabilitation were completed
- ▶ \$10 million was invested in water main replacement and rehabilitation
- ▶ 71 water hydrants were replaced and 212 hydrants were repaired
- ▶ More than 100 water main valves were replaced
- ▶ 9,608 public water hydrants were inspected and flushed in 2021
- ▶ 3,200 valves were exercised in conjunction with 1,500 hydrants being flushed
- ▶ 270 lead service lines were replaced in 2021

450,000

CUSTOMERS SERVED

We serve the residents of Saint Paul, West St. Paul, Maplewood, Falcon Heights, Lauderdale, Mendota, Mendota Heights, Lilydale, and some residents in Newport, Sunfish Lake, and South Saint Paul. We also provide wholesale water services to Roseville, Arden Hills and Little Canada.

14.935

BILLION GALLONS OF WATER

Pumped from McCarrons treatment plant out to customers in 2021.

12.267

BILLION GALLONS PUMPED FROM THE MISSISSIPPI RIVER

The difference between the water pumped out to customers and water taken from the Mississippi River comes from precipitation and run off from the Vadnais Lakes Area Watershed.

3.06

INCHES BELOW NORMAL

Rainfall amounts below normal from May to September in 2021. Overall for the year 2021, rainfall amounts were 1.21 inches below normal.

MAKING IT ALL HAPPEN

OPERATIONS

WATER CONDUIT IMPROVEMENTS

Planning and design are underway for rehabilitation of the water supply conduits which provide water to the McCarrons Water treatment Plant. There are two conduit lines, a concrete line constructed in 1925 and a steel line constructed in the 1950s. A contract was let for repairs to a portion of the 60-inch concrete conduit. Work to repair the concrete conduits is scheduled over a 10-year period. In addition, a corrosion assessment was completed on the steel conduit line. Anode installation will be performed on the steel conduits over the next two years which will provide protection and extend the life of these critical assets.



A worker cleans out the re-carb basin in the McCarrons treatment plant.



Hillcrest reservoir after crews cleaned out the facility in 2021. Reservoirs get cleaned out with maintenance work completed as needed.

CAPITAL PROJECTS

Several new capital projects were started in 2021. Electrical and pumping improvements to the West Side Pump Station went into the construction phase, with Municipal Builders as the general contractor. Construction also began on the Highland Park pump stations electrical improvements, with Premier Electric as the General Contractor.

BY THE NUMBERS

- ▶ More than 14,000 customers with high water use have been contacted since our high usage alert program began in 2017.
- ▶ The abandoned call was 3.66 percent. This is slightly higher than our goal. However, we found moving into Microsoft Teams it takes longer to transfer a customer from the Interactive Voice Response unit to the Customer Service staff. We continue to work with the City Office of Technology and Communication department for more detailed reporting.
- ▶ 100 percent of all water meters 3 inches or larger were tested in 2021, even with the pandemic.

146,942

CALLS TO CUSTOMER SERVICE

*About 63,651 Calls or 43 percent were answered by call center staff.
The remaining 83,291 calls were answer by the Interactive Voice Response (IVR) unit.*

480

PHONE CALLS ARE ANSWER EACH WORK DAY

About 229 calls are answered by staff and the rest by the IVR.

32,500

WATER BILLS MAILED EACH MONTH

This equals about 1,300 water bills mailed each business day.

61

PERCENT OF PAYMENT TRANSACTIONS ARE ELECTRONIC

Nearly 34 percent of electronic payments are via credit card and another 21 percent are via auto withdrawal from a checking or savings account.

PLANNING FOR THE FUTURE

MCCARRONS UPGRADE

“The upgrade to the McCarrons water treatment plant will be the largest project the water utility has undertaken in its more than 150-year existence.”



The water utility conducted a pilot test during 2021 to ensure that the planned improvements to the water treatment plant would result in the same or improved water quality when the new plant is put on line.

Planning and design work was well underway in 2021 on one of the largest projects the utility has ever performed: a major renewal and upgrade to the McCarrons Water Treatment Plant.

These renovations will include facility replacement of much of the front end of the water treatment plant processes including chemical feed, flocculators, clarifiers, and recarbonation.

The addition of ozonation to the treatment process is also proposed with the goal of providing flexibility to address contaminants of emerging concern and to improve the aesthetic properties of the water.

This project will be delivered via the progressive design-build procurement method. Jacobs Engineering was selected as the design builder for the project, working in collaboration with SPRWS' engineering and production divisions.

Demolition of some of the existing areas, including the 1916 secondary settling basins and one of the large round clarifiers will begin in 2022, with construction to commence in the fall of 2022.

The project is slated for completion in 2026.

PLANNING FOR THE FUTURE

TECHNOLOGY

“An IT Roadmap assessing the current systems, applications and processes compared to needs will guide future plans .”

Technology continues to be a current and future focus for operations, maintenance and administration processes and functions. To fully understand the current needs and projected future opportunities, a comprehensive needs assessment and strategic plan was conducted in 2021. The assessment provided an opportunity to understand current systems, applications and business processes. The assessment also provided for input, feedback and requests from representatives across the organization for future technology opportunities. Working collaboratively across divisions, project identification and prioritization of the identified opportunities will occur in early 2022. Work on projects will occur throughout the next five years.

SPRWS continues to partner with City of Saint Paul Public Works Department and the Department of Technology and Communication in implementing a field mobile/ data capture solution for processing work orders and service orders in the field. The solution will integrate with the shared Computerized Maintenance Management System (CMMS), Geographic Information Systems (GIS) and SPRWS' Customer Information Systems (CIS) system.

SPRWS partnered with public works and OTC to manage a comprehensive needs enterprise-wide asset management system assessment (EAMS). The EAMS assessment analyzed the current utilization, as well as identified future needs, ensuring future needs were focused on industry standards and best practices.

A Request for Proposal will be developed and advertised in early 2022. The new system is expected to be selected in the fall of 2022, with implementation to begin early 2023. The implementation will be in phases, with SPRWS being the first phase.

The new EAMS solution will be enterprise-wide, provide integration with several existing systems including GIS and CIS.

Improving the customer experience is part of our Strategic Plan. SPRWS needs to replace the existing, antiquated Customer Service Portal with a modern on-line solution that enhances the customer experience, provides a variety of payment options, and can serve as a communication tool. These enhancements to our CIS portal for customers will be explored.

LEAD SERVICE LINE REPLACEMENTS

The Federal Infrastructure Investment and Jobs Act along with Federal dollars provided by the American Rescue Plan create an opportunity to address lead service lines within the SPRWS service area. The development of a short/long term plan to eliminate lead services will be an important discussion by the Board of Water Commissioners and staff at SPRWS.

CONDENSED STATEMENT OF NET POSITION (IN THOUSANDS)

FINANCIAL STATEMENTS

	Fiscal Year 2021
Assets	
Current and Other Assets	\$ 84,428
Capital Assets - net	\$ 638,671
Total Assets	<u>\$ 723,099</u>
Deferred Outflows of Resources	<u>\$ 13,883</u>
Liabilities	
Current Liabilities	\$ 19,602
Noncurrent Liabilities	\$ 61,334
Total Liabilities	<u>\$ 80,936</u>
Deferred Inflows of Resources	<u>\$ 15,127</u>
Net Position	
Net Investment in Capital Assets	\$ 337,785
Restricted for Debt Service	\$ 11,482
Unrestricted	\$ 21,652
Total Net Position	<u>\$ 370,919</u>

CONDENSED STATEMENT REVENUE, EXPENSES, AND CHANGES IN NET POSITION (IN THOUSANDS)

FINANCIAL STATEMENTS

	Fiscal Year 2021
Operating Revenues	\$ 69,096
Non-Operating Revenues (Expenses)	\$ (700)
Total Revenues	<u>\$ 68,396</u>
Operating Expenses	<u>\$ 54,070</u>
Income (Loss) Before Capital Contributions	<u>\$ 14,326</u>
Capital Contributions	<u>\$ 1,179</u>
Change in Net Position	\$ 15,505
Net Position - January 1	<u>\$ 355,414</u>
Net Position - December 31	<u><u>\$ 370,919</u></u>

The notes to the financial statements are an integral parts of these statements.

The complete financial report for 2021 is available from Saint Paul Regional Water Services. To obtain a copy visit at www.stpaul.gov/water or contact the financial services department at 1900 Rice Street, Saint Paul, MN 55113.



SPURS