

2014

ANNUAL REPORT

Saint Paul Regional Water Services



Mission

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

Vision

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

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Dear Customers,

Safe, reliable drinking water is essential to every community. Saint Paul Regional Water Services provides that water to more than 424,000 in Saint Paul and neighboring cities. A staff of 250 employees ensures we are true to SPRWS mission of providing water to its customers at a reasonable cost.

In 2014, SPRWS staff worked with a two consulting groups and prepared a master plan that provides us with a roadmap of needed capital improvements and financing needs over the next 40 years in our distribution and production areas. This plan outlines a replacement program for our above and below ground infrastructure in these areas of the utility. We will use this plan to identify and schedule many future capital improvements and design a financing plan to provide these improvements while minimizing the impact on our customers.

We replaced nearly 10 miles of water main, continuing our ongoing commitment to invest in our aging buried infrastructure. We continue to expand our use of trenchless technology to minimize disruption and restoration in areas outside of the city's RSVP projects. We also installed a new sludge press to solidify our ability to process our waste product in the future.

It takes contributions from each of our employees on a daily basis to continue to provide excellent service to our customers. Based on a recent customer survey, we are rated high by our customers in overall satisfaction with our water and services. We will continue to look towards the future and work towards ensuring SPRWS remains a successful utility for many generations to come.

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

Sincerely,



Steve Schneider
General Manager



Board of Water Commissioners



2014 Board of Water Commissioners, from left: Commissioner Mara Humphrey, Commissioner Will Rossbach, Commissioner Kathy Lantry, President Matt Anfang, Vice President Amy Brendmoen, Commissioner John Zanmiller, Commissioner Chris Tolbert.

SPRWS Division Managers



Brad Eilts
Distribution



Dave Wagner
Engineering

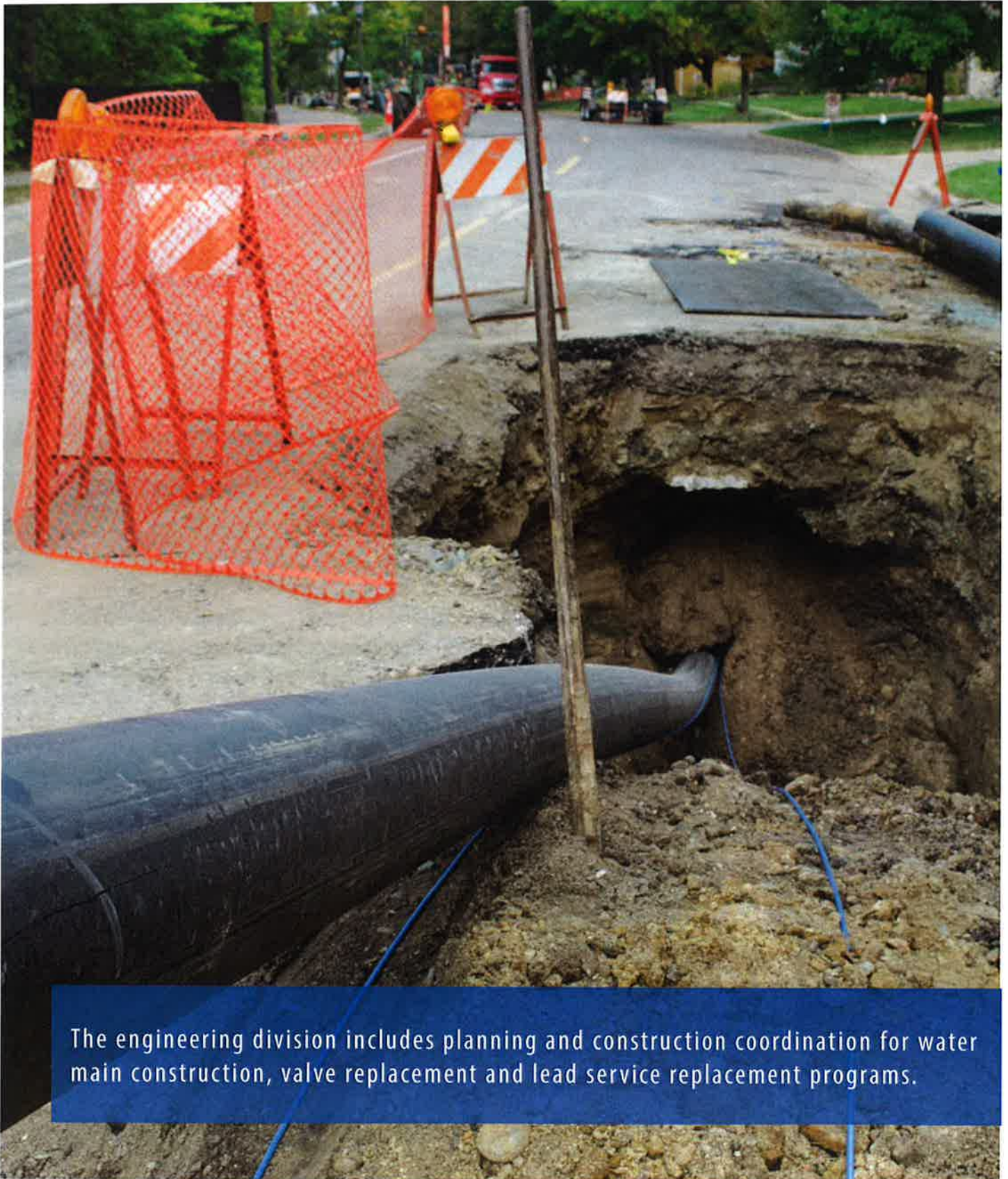


Jim Graupmann
Production



Steve Gleason
Business

Engineering



The engineering division includes planning and construction coordination for water main construction, valve replacement and lead service replacement programs.

Improvements and Updates

Significant progress on a number of large projects was made in 2014 that will serve Saint Paul Regional Water Services and its customers well into the future.

Pipe Replacement

We continue to work on replacement of small diameter cast iron water mains and coordinating these replacements with street restoration projects. In 2014 we replaced 9.7 miles of water main. We are also expanding replacement outside of project areas using trenchless technologies, having two projects completed in 2014 with pipe bursting.

Well Field Development

Testing was completed on our new well field expansion. The results of the pump test concluded that all ten of the SPRWS wells were able to operate for a period of at least two weeks, providing 45 MGD of water supply, without experiencing adverse well interference issues. This demonstrated the ability of the well field to serve as a viable emergency water supply source.

Plant Heating

A new heating system was completed for the water treatment plant, replacing a much antiquated system.

Power Generation Improvements

Various electrical improvements were made to our distribution pumping stations in an effort to standardize mobile generator connections, improve power outage response time efficiency, and provide more reliable back-up power. A new stationary generator was installed at our West Side pump station. At our Highland Park complex, a system was installed that allows us to provide temporary back-up power to both pump stations at once using a single mobile generator.

GIS System

Advancements continue to be made in our maps and records unit. Our GIS system, developed over the last 5-10 years, is not simply functional, but provides numerous improvements over the old record keeping system. Technology improvements continue in order to provide greater capabilities for our field crews.

Filter Press

Work began on adding a new filter press which will add capacity to treat our waste sludge generated through the water treatment process.

Future Opportunities

We continue to develop our GIS to be widely used throughout our system; better use of CMMS by utilizing the work flow functionality; and continue to make decisions on water main replacement based on the recently completed water main prioritization plan.

Much of the work in engineering involves planning work in order to make improvements throughout the utility. An additional \$2.8 million will be added to our existing water main capital improvement program of \$5.2 million for 2015. This significant increase will help improve our aging buried infrastructure, but will also bring certain challenges of increased workload and work planning and prioritizing.

For 2015, we will look to make improvements for better reliability in the West St. Paul water system.

A project which was highlighted in the 2014 master plan included the replacement of the main treatment plant switchgear. Money will be allocated in 2015 to begin design work for this replacement. In addition, we will be performing additional condition assessment work for the foundation systems in the treatment plant and the Mississippi River pumping station.

Distribution

The distribution division is home to the operation, maintenance and capital construction of the water mains, services, hydrants and related underground piping infrastructure which brings water to our customers. Fleet management is included, too.



Distribution Capital Program

We continue to replace and upgrade an aging infrastructure of unlined cast iron water mains, hydrants and lead water services. Much of the water main replacement was accomplished in coordination with street reconstruction projects. This year a total of 9.7 miles of our 1,200 miles of water main were replaced.



In areas of water main replacement, temporary water mains are installed in order to serve customers while the existing water main is being replaced. For every mile of water main replaced, three to four times the amount of temporary service piping needs to be set up and taken down again when construction is completed. This requires significant coordination of efforts and it also provides a customer service opportunity that is generally well received by our customers.

In addition to water main construction, 171 lead water services were replaced last year. These replacements were done in coordination with street reconstruction projects also in those areas throughout the service area where property owners have previously replaced their portion of the lead service in private property and where old services were leaking and required replacement.

Of the 9,500 system hydrants, 171 were replaced during the year. We continued to install Storz connections on hydrant nozzles with newly installed hydrants. A Storz connection is a quick connecting coupling that accommodates fire hoses.



Distribution crews wrap up repairs on a leak (top), install new water main (center), and dig out a hole (bottom).

System Maintenance

We perform both preventative and emergency maintenance on the water distribution system. Preventive maintenance of the system is needed to ensure adequate reliability and improve distribution system water quality. Preventive maintenance work includes hydrant inspection, Uni-Directional Flushing (UDF), and valve exercising. We inspected 7,171 public fire hydrants in the system during the year. This involves the operation of hydrants and performing minor repair work as necessary. Improved field automation was done to collect this information while performing inspections.

We perform emergency repairs on water mains and services. We also provide water main break repair services to other municipalities outside our service area, responding to main breaks in the city of Oakdale, White Bear Township and the city of Newport. We repaired 156 main breaks within our service area and 34 repairs in communities outside our service area.



Working on a frozen service line at a local business. There were more than 800 frozen services in February and March of 2014. A typical winter might see only 20 frozen services. The winter of 2014 experienced the third highest number of frozen services on record, coming in behind the winters of 1918 and 1936. It was a challenging year for frozen services and it took significant resources to effectively deal with the problem.

Future Opportunities

In 2015, continued emphasis will be placed on water main replacement in street reconstruction project areas and our hydrant inspection program. We plan to increase the emphasis on our valve maintenance program and UDF. Our infrastructure funding for 2015 will allow for 9.9 miles of main replacement in project areas.



Opening the street to repair a main break.

Production

The production division is responsible for processing raw water into finished water including all the equipment required in the process and the water supply chain.



A new solids dewatering press (a filter press) was installed into the dewatering building to increase flexibility and redundancy to the waste removal process.

Costs Rise Slightly

Chemical costs were up slightly in 2014. The chemical cost increases are mainly attributed to increased oxygen use at Pleasant Lake along with a slight increase in lime use at the treatment plant. Electrical costs were very similar to the previous year (2.8 % less) when normalized for gallons pumped.

Precipitation Above Normal

Winter precipitation in 2013-2014 was above average in east-central Minnesota and subsequently produced a healthy snow pack. When spring finally arrived it brought above average precipitation, which continued into summer and culminated with an all-time high amount of 11.57 inches of precipitation in June for Ramsey County. Consequently, river levels were high but customer demands for water were low through the summer months. Our annual daily average for water pumped was 41.3 million gallons per day (MGD). This continues the trend of declining water use by our customers, and it is the second lowest daily average since 1962.

Improvements Made

A number of improvements were made in 2014. Electrical tap boxes were installed at all remote pump stations to better facilitate rapid hook-up of our portable generators during power outages. A fixed generator was installed at the State Street pump station to power that station during electrical outages. A fourth solids dewatering press was installed to increase flexibility and redundancy to the waste removal process. Improvements to the electric supply and control systems were also made to the dewatering process. A master plan was developed to identify major capital improvements to the plant and supply system over the next 40 years. A request for proposals was issued and a firm selected for preliminary design of new electric transformers and main electrical switchgear at the McCarrons plant to replace existing transformers and switchgear that are outdated and ranked as a high priority in the 2014 master plan.

Partnership for Safe Water Award

We had another excellent year of water quality. The McCarrons treatment plant earned the Partnership for Safe Water's Presidents Award in 2014. We are one of only 31 surface water plants in the country to achieve this level of award. This program ensures safe drinking water from its member systems by promoting optimized treatment plant operation and continuous improvement in the operation, maintenance, administration, and design of the facility. The aesthetic quality of the water also continued to be excellent, with only 12 complaints of taste or odor being logged into the Customer Information System for the year.

Security Changes Hands

A one-year contract with Viking Security for facility security expired, and it was decided we should pursue other options for security. We are currently using our own employees to provide security.



An electrician works onsite at a water tower.

Future Opportunities

Repairs to the 90-inch valve at east Vadnais intake chamber commenced in 2014, but repairs are still not final. The screen rails and screens were replaced. We plan to enter the chamber again in winter 2015-2016 to proceed with repairs to the valve.

Zebra mussels continue to be a concern for the supply conduits to our plant. The mussels have migrated further downstream each year in the Vadnais conduits. We hope to purchase and evaluate a chemical deterrent in 2015.

The replacement of the electric transformers and switchgear at McCarrons will be an ongoing project over the next several years. This is a large project in terms of scope and budget. It is also a complex project due to the need of un-interrupted electrical power during the replacement of the old equipment.

Replacement of a portion of our filter media will be necessary in the near future, hopefully in 2015. We have lost a small amount of media since it was installed in 2006. This loss is mainly through attrition of small filter particles over time. Our filter media is an integral part of producing high quality water for our customers. We also hope to move forward with replacement of our control systems in the filter area. Some of the control systems installed in 1994 are outdated and are no longer repairable when they fail.

We were not able to roll out our Supervisory Control and Data Acquisition software yet. The software has been purchased, but configuration still needs to be completed. We have hired a new employee who should help facilitate the configuration.

Business

The business division offers support services to the other divisions within the water utility as well as direct contact with individual customers and communities at large. In 2014, SPRWS re-assigned and merged some of the business division's functional units. The division includes billing, customer service, meter operations, financial services and information services.

In 2014, the utility's internal consulting group, the business improvement unit (BIU), which was previously part of the business division, was assigned to the office of the general manager. The BIU brings a broad, prioritized, utility-wide, unbiased view to defining and approaching projects, seeking solutions for all areas of the organization. The unit goal is to analyze, recommend, and exploit business improvement opportunities in support of the utility's mission.

Also in 2014, SPRWS merged its billing unit with its customer service unit. After replacing all of its water meters with a radio meter reading system in 2013, SPRWS observed a reduction in the billing workload. This brought about the ability to combine billing and customer service into one unit. The combined unit was able to advance customer service by bringing a broader understanding and direct knowledge of billing to the representatives who routinely speak with customers primarily about billing, payment and miscellaneous customer account issues. The employees were cross-trained in both billing and call center work. The cooperation, professionalism and fine effort each employee made to become proficient and expert in the merged customer service duties is acknowledged and appreciated by SPRWS management. The merged organizational structure resulted in a staff reduction of two full-time employees.

Meter Operations

In 2014, meter operations implemented a new business process focused on SPRWS' goal of capturing actual readings for use in billing. It is SPRWS' goal to repair defective radio meters upon the first estimated reading. This effort requires cooperation from customers in giving SPRWS access to repair/replace defective meter components.

Customer Service Center

The customer service call center received 162,498 calls in 2014. About 79,619 calls (or 49%) were handled by call center staff and 82,879, by the self-serve Interactive Voice Response unit (IVR). The abandoned call percentage was under 1 percent, substantially lower than our goal of less than 2 percent. Our IVR offers menu options and responses in both English and Spanish; approximately 1,650 callers took advantage of the Spanish language alternative.

Technology

Technology plays an increasingly important role at SPRWS. Our information services unit provides technological support and expertise to virtually all areas of the utility. Staff has succeeded in making the systems available 99.9 percent of the time for things within their control. Information services staff helped facilitate operating the dual timekeeping systems of TASS and CMMS and coordinated consulting work to optimize and facilitate CMMS/TASS reconciliation. During 2014, the information services unit upgraded our Geospatial Information System (GIS) platform and implemented a new version-7 of Documentum. We continued to enhance our Storage Area Network (SAN) and our Virtual Server Environment. We served as BETA testers for CIS version 4 while operating CIS version 3 and Infinity Link.

Financial Services

It was another exciting and challenging year for our financial services unit. The city of Saint Paul worked to become proficient with the new INFOR finance system, which went live January 1, 2014. While faced with many challenges typical of implementing a new system, SPRWS is proud of its financial services staff and their fine work in successfully navigating the INFOR system so as to provide/compile information necessary for SPRWS to manage its financial position. Once again our financial services unit was recognized by the state auditor for its outstanding and timely work preparing the 2013 annual financial report for audit.

Along with the new INFOR finance system, the city of Saint Paul implemented a new Time, Attendance and Scheduling System (TASS) in 2014. The system provides punch-in functionality and a robust, rule-based processing feature. SPRWS went live with this timekeeping system in May of 2014. It was envisioned that SPRWS payroll functions would be assigned to a city-wide central payroll operation. Unfortunately, we identified some shortcomings with the functionality of TASS and interfacing with our CMMS work order costing system. SPRWS tracks operating costs in CMMS and to ensure this information was available, all SPRWS staff were required to continue completing both CMMS time sheets and TASS time accounting through 2014. SPRWS continued to assign timekeeping staff to reconcile CMMS to TASS and help manage CMMS information.

Future Opportunities

SPRWS tentatively plans to go-live with version 4 of CIS Infinity in 2015. There may be a slight decline in efficiency near go-live as staff becomes proficient with this new software version. However, overall the new version offers more functionality, flexibility, and increased overall reliability.

A new version of CMMS is scheduled to become available in fall 2015. We do not anticipate go-live with this new system before third quarter 2016.

Communication in the Community

We produced several external publications, including *Customer Service Connections*, a quarterly newsletter for customers, and the annual *Water Quality Report*. The *Water Quality Report* was made available on the website in accordance with Minnesota Department of Health requirements. We updated the 10-year-old publication, *Beyond the Faucet*, which provides an overview of the history of the water utility while detailing the major improvements that took place over the past decade. We also completed the *2013 Annual Report*. Internally, we continued to provide employees with communication updates by featuring timely articles in our bi-weekly employee newsletter, the *Pipeline Express*.

Online Bill Pay

We continued to increase the number of registered users of our on-line bill presentment and payment site, Infinity Link. This Customer Information and Billing System (CIS) module provides customers a self-service choice of viewing their personal account and paying their bill on-line and also provides interested customers the option of receiving an electronic bill (e-Bill) rather than a paper copy bill. By the end of 2014, we had 21,720 registered users. Throughout the year, water billings continued to meet schedules.

In 2015, SPRWS looks forward to TASS/CMMS enhancements such that staff enter time into one system while continuing to rely on CMMS delivering complete and accurate financial information. We anticipate becoming more proficient with the INFOR financial system.

We will continue to examine workflow processes throughout the utility, looking for improved efficiency and enhanced delivery of services.

Finance

Select financial information from the 2014 fiscal year.

Condensed Statement of Net Assets (in thousands)

	Fiscal Year 2014
Assets	
Cash and Investments	\$ 22,057
Other Current Assets	11,567
Capital Assets - net	281,995
Other Noncurrent Assets	6,743
Total Assets	<u>\$ 322,362</u>
Liabilities	
Current Liabilities	\$ 13,112
Noncurrent Liabilities	51,575
Total Liabilities	<u>\$ 64,687</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 235,568
Restricted for Debt Service	11,472
Unrestricted	10,635
Total Net Assets	<u>\$ 257,675</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Assets (in thousands)

	Fiscal Year 2014
Operating Revenues	\$ 50,858
Operating Expenses	43,685
Operating Income	<u>\$ 7,173</u>
Nonoperating Revenues	<u>\$ 2</u>
Income (Loss) Before Contributions	<u>\$ 7,175</u>
Capital Contributions	<u>\$ 2,183</u>
Change in Net Assets	\$ 9,358
Net Assets - January 1	<u>\$ 248,317</u>
Net Assets - December 31	<u>\$ 257,675</u>

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

The complete financial report for 2014 is available from Saint Paul Regional Water Services. To obtain a copy please visit us at www.stpaul.gov/water or contact the Financial Services Department at 1900 Rice Street, Saint Paul, MN 55113.





SAINT PAUL
REGIONAL
WATER
SERVICES

1900 Rice Street
Saint Paul, MN 55113
Tel:651-266-6350
Fax: 651-266-6357
E: waterinquiries@stpaul.gov