

PUBLIC UTILITY COMMISSION

REGULAR MEETING

APRIL 12, 2016

The regular meeting of the Fayal Public Utility Commissioners was called to order at 7:00 p.m. by Chairman Dennis Pernu. Present were: Dennis Pernu, Greg Buckley, Chris Erickson, Cal Turner, Donna O'Connor and Deputy Clerk Diane Dickson.

Audience members in attendance were Town Board Supervisors Rich Sather and Pat Ziegler.

APPROVAL OF MINUTES

- **Motion to approve the Regular Meeting Minutes of March 8, 2016 made by Buckley, second from Erickson. Motion carried unanimously.**

GUESTS

The PUC was provided with the minutes from the Town Board meeting regarding the feasibility of a sewer extension. The Town Board minutes of April 5, 2016 Regular Meeting stated:

“Matt Reid of SEH Engineering presented the Town Board with revised exhibits and plans. The intention would be to tee-up the extension for potential future development to cross Hwy 53. The estimate Mr. Reid presented was roughly \$380,000. It was discussed that potential customers could possibly be granted a moratorium for a while. Chris Ismil of IRRRB indicated that a typically a grant for \$250,000 would be awarded for a water and sewer extension and a match from the Town would be the normal requirement. Any investment changes in the property can be available to qualify as matching funds. The preliminary numbers look like there is a gap of \$150,000 the Town would need to finance. Mr. Ismil indicated the community usually benefits from matching funds that is why the business, Township and IRRRB need to work together to see if it would be possible.”

Town Board Supervisor Pat Ziegler introduced himself. Mr. Ziegler stated he and his wife purchased K & B and stated he is here not a supervisor but as a citizen. Mr. Ziegler informed the PUC that SEH did a quick review using google maps for extending the sewer line down Pine Dr to K & B and possible future extension across Hwy 53. IRRRB indicated there is some possible funding available so wondering what the options are. Buckley questions the \$150,000 gap. Ziegler explained the IRRRB would use matching funds on what they put into the building and the gap would be the responsibility of the Town. Not knowing what the gap would be until SEH gets the firm bid. The Town Board wanted a recommendation from the PUC to have SEH shoot the elevations and do an accurate estimate. The commissioners discussed possible funding and how the engineering firm came up with the preliminary opinion of Probable Cost of Pine Drive. Erickson questioned how IRRRB does the match. Mr. Ziegler explained if there was a \$250,000 grant for the project, the \$100,000 Ziegler's put into the business would be the Townships match.

Pernu asks if the sewer is in compliance. Mr. Ziegler says he did not have to do a compliance check because this is on the Town Board's table. O'Connor asks who said he had to escrow \$100,000. Mr. Ziegler said the Title Co. said they talked to the County. O'Connor explained a septic for a restaurant is substantially more because you have to knock down BOD and the TSS it has to have pre-treatment. O'Connor talked to the county and said she found no one who said he had to escrow \$100,000. Buckley says a \$150,000 to pick up 3 customers would not be feasible. There would be 4 possibly 5 assessments assuming they are all assessed immediately. The big sewer assessments were assessed all at once, bare land was assessed, because it was a benefited property. It was on the tax roll and they did not pay the monthly sewer fee.

Erickson states, conceptually extending the sewer is a good goal and long term concept to have. If a person knew they are picking up \$35,000 in assessments, they could if the cost was \$35,000. Now you have a better infrastructure. He feels it's worth \$35,000 or more but the issue is how much more.

Lengthy discussion about costs, probable costs and the process with the IRRRB. Turner thinks the engineers estimate fee could be as high as 10% of the project. The original estimate was higher because they put a deep lift station near K & B. This opinion includes some high estimates, \$125,000 for the lift station. O'Connor questions why they wouldn't do a more realistic estimate because it is almost discouraging the project. O'Connor asks do we have to use SEH? They are the Town's engineer. Chairman Pernu says the question is do we want to pay an engineering firm to do the estimate and get stuck with the bill if it doesn't go thru? Turner says we could advertise for a quote to get an engineering firm to do the bid, but then you may be stuck with the low bidder, because you are using public monies. It has to be the Town's project for and IRRRB grant. Erickson questions what would happen if we advertised for an engineer's estimate? Turner explained we may back ourselves into a corner, but maybe it would work out.

Turner states first we need to decide if this is where we want to go if we were looking at expanding the sewer. Turner agrees with what Erickson said. It is logical if we were looking at expanding the sewer system in a direction, with the possibility of residential and commercial benefit to the Township that would be the way to go. He is not sure if everyone would agree. O'Connor asks about land being split. Mr. Ziegler is going to split the 10 acres and build something, either a house or a garage with water and sewer. So there would be another hook-up.

To cross the Hwy it was an extra \$200,000, they are looking at gravity to a small lift station to get under the creek.

Erickson states there is nothing designated for expansion but we would have move it from somewhere. Turner states typically the design bid is buried in the mobilization. Erickson asks if we can call up SEH and say we are willing to spend \$5,000 are you willing to do a quote for us?

Turner says he has done that in the past. Buckley says we need to know how much money it's going to cost before we can move forward.

Turner asked how the Town Board feels. Rich Sather says he feels the Board is in favor of it, as long as it's not going to cost the Township \$100,000, there was no opposition. Mr. Ziegler says as an audience member not a board member, what he got out of it was to have SEH go and actually physically survey it and see where the numbers come in. But they wanted the PUC to look at it first. If SEH goes out and shoots the elevations then maybe it would come in at a \$200,000 instead of \$400,000.

Turner stated as a commission and as a Township we should have our eyes to the future and look at what we would plan on doing and he feels this falls right into the description. Mr. Ziegler states as a citizen the Township should be looking at expanding. Maybe some of the depreciation money should be used for something like this. Cal explains that's how Gilbert got in trouble because they didn't have the money set aside for expansion. That's how Fayal got our service from Gilbert because Eveleth didn't have the capacity at that time. The GASB rules say we have to set aside money for depreciation. Possibly take 5% of our depreciation funds for expansion because you would get money back on the expansion. O'Connor asks about the moratorium for the 3 connections, is it also setting aside receiving the assessment money for the project. Pernu says he had to connect to the sewer even though he had a new dry wells. I'm sure the Town Board will make the decision about the assessment. Dickson reports the county ordinance states Proximity to Public sewer: No individual sewer system may be used where the public sewer is located within 200' of the property line and hookup is practical, which is determined by the department or unit of government.

Buckley would like to move forward as long as the bid cost is not to extravagant. Erickson wonders if anyone would be interested in bidding it for \$5,000. Buckley says we can find \$5,000, but not \$20,000 to get a bid. Erickson states he does like the intent of expanding in an affordable manner where our costs are covered and if we pay a little more for strategic reasons that's fine.

- **Motion by Erickson to have the Town Board consider getting a bid for the sewer extension on Pine Dr. provided the process for getting the bid does not exceed \$5,000. Amend the motion to say engineers estimate, second by Buckley.**
- **Motion carried unanimously.**

CORRESPONDENCE

Delinquency Report as of 3/23/16 \$11,502.50 placed on file.
Dale Dickson report on 2016 MRWA conference. Placed on file.
3-21-16 MN Energy copy of letter sent to St. Mary's Drive residents. Placed on file.
Northern Natural Gas packet containing Map of pipeline, pamphlet, MSDS sheets. Placed on file.

OLD BUSINESS

SCADA-TPC the final has been paid.
IRRRB Pine Drive sewer extension- already discussed.

NEW BUSINESS

Nothing new.

TREASURER REPORT

Treasurer report- Erickson reported the financial reports provided by Clerk Coldagelli are more user friendly. The cash balance in the Water Co. was \$43,657 on 4-7-16, this is up from 12-31-15 \$40,001. The cash balance in the Sewer Co. was \$160,624 on 4-7-16, this is down from 12-31-15 \$182,025, but we paid \$24,109 for the SCADA. From a cash flow basis our funds were either cash flow neutral or positive, so that's good. The auditor's report for the enterprise funds states the Sewer Co. is -\$140,000 due to depreciation being written off on paper. Cash wise we are fine, Erickson and Buckley will delve into this and find out more about our paper loss. Accounting wise we would need another \$140,000. Greg wants to double check what we are funding for depreciation compared to what the accountants are depreciating.

CABLE

No meeting last week.

GAS

Long Lake Gas Line project- Pam has not sent out letters yet. They are planning for construction the summer of 2016. She did send out letters to St. Mary's Dr. looking for new connections with no upfront cost.

STREET LIGHTS

People like the new LED lights for driving but not if your house is next to it. They are very bright.

FYI

Next PUC meeting will be held May 10th at 7:00 pm. Chris Erickson will not be present.

ADJOURNMENT

- **Motion to adjourn the regular meeting made by Pernu, support from O'Connor. Motion carried unanimously.**

Chairman Penu adjourned the regular meeting at 8:00 p.m.

Respectfully submitted,



Diane Dickson
Fayal Township Deputy Clerk
PUC Coordinator/Billing Clerk

Approved 5.10.2016
