

PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SEPTEMBER 11, 2018

The regular meeting of the Fayal Public Utilities Commissioners was called to order at 7:00 p.m. by Chairman Dennis Pernu. Present were: Commissioners Dennis Pernu, Cal Turner, Greg Buckley, Chris Erickson and Amy Jackson was absent.

No audience members were in attendance.

APPROVAL OF MINUTES

- **Motion to approve the regular PUC meeting minutes of August 7, 2018 as corrected to strike “Chris still does not agree with the Attorney as it was Fayal’s asset and our right to charge the connection fee” and say “Chris says it was Fayal’s asset and our right to charge a fee.” made by Greg Buckley, second from Cal Turner. Motion carried unanimously.**

GUESTS

No guests were in attendance.

CORRESPONDENCE

Delinquency Report as of 8-24-18 \$ 33,091.04. Dennis questions how much is outstanding with the county Greg thought about \$30,000.

August 2018 Water Wastewater report. Reviewed and placed on file.

2019 Certify list for delinquent utilities Heidi is sending to the St Louis County Auditor total of \$26,712.14 on 34008 and \$2,400.00 on 34009 after one last payment was received.

OLD BUSINESS

Sandy Ahlin sink hole-Nothing new.

Bulk Water Agreement-Proposal from the City of Eveleth to reduce the water rate and add a \$15 per month per customer water debt service. Spread sheet with our averages. And all previous agreements for your files. Chris reviewed the agreements and has one observation. Eveleth has always viewed us as one customer and now they are counting our customers and acting like we are an extension of them almost like we are being informally annexed and all of our customers are being counted as their customers. He looked at the Gilbert waste water agreement and that allows for a debt service charge and we count our customers. Our contract with Eveleth for Water has no provision for them to count our customers and billing us in that manner. When he worked the math our bill would increase \$2600 a month including the reduction of water, it would go up \$31,000 a year. That would be the same proportional increase as Eveleth is receiving. He would rather have the wholesale rate go up per gallon and it would be high and maybe we could shop around for a better rate in the future. Greg says it seems like they are charging us for all of their customer’s waterline maintenance, when in fact they don’t maintain our lines so how could they charge us the same. Chris says I may be wrong but, when Eveleth raises there rates by 25% they have the right to raise our rates by 25%. That was his impression. Chris thinks we should meet with them. Cal thought maybe we should add a service fee and then we aren’t counting our customers. Diane said when they say debt service it is supposed to sunset and go away, Cal says it doesn’t always happen. Now we pay a \$75 a month service fee maybe that would change. We always say about 200 customers some are off. Maybe say we keep the new rate plus \$3,000 service charge. Or debt service or bump up the gallon rate. We would end up changing our rate to our customers. So we would still run a conservation rate. Chris and Greg can work out some different scenarios, then get back to Eveleth. We don’t object to the dollar amount but the methodology is being

changed and we don't want to do that. We are becoming clones of Eveleth and we are one wholesale bulk customer. Part 2 we will have to pass on our new rates. We will set up a meeting with Eveleth. Diane will set up a meeting with Jerry at the City of Eveleth Chris, Tony and Dale will go and meet with Jerry. Greg is questioning if Pat Ziegler would be allowed to go due to he is a Eveleth employee.

Sewer Line Cleaning- Great Lakes Pipe Service, Inc. has not started cleaning section #1 yet.

4 M Fund- Chris is working on this with Heidi. Greg asks if Miners Bank was able to compete, Chris says it's on the Town Boards agenda.

Copies of resolutions for your files.

Adopted Resolution 2018-06 98-2 Sewer Service Charge Ordinance.

Adopted Resolution 2018-08 97-3 Water Service fees.

Adopted Resolution 2018-09 97-3 Extra Territorial Water fees.

Adopted Resolution 2018-15 98-2 Sewer Service Charge Art V sec 4 & Art VI sec.

Adopted Ordinance 98-2 Amendment #4 Page 10 changes.

Water Standby Charge- Chris says Jim Pernu's standby should be addressed. Diane provided the amount he has paid in last month. He has 9.7 years left before he would reach the \$3500 WAC. Jim has paid in \$2,200. The standby is essentially a water access charge (WAC).

The other issue is the John West letter from the attorney. Chris is asking if our attorney looked at it.

Diane stated yes he has but does not believe he did a formal response. He told Heidi it has exceeded the statute of limitations which is 6 years.

Chris is asking how many people paid the \$3500 water access charge. Diane could not come up with that from the billing program she is working on it. Cal says Differding Pt. was all assessments. Chris is feeling \$3500 is too high maybe work on this. Cal questions if it is like an insurance fee why would you cap it. Chris states because he thought \$3500 was too high to start. Cal asks what would a fair amount been if one year after everybody else had paid the \$3500. Cal says he remembers one that would have been happy to only pay that much. Kelly Campbell had to get easements and legally get it all right and he did it all to get to the waterline. Chris is not seeing the relation he is saying it is the fee for the actual connection. Cal says the other part that was paid is to offset the part Fayal paid in order to get the grant and make the project go. Cal says that was the issue, how do you recoup the \$200,000 from IRRRB and we had to put in \$20,000 so all the people who hooked up paid the \$3,500. Now someone comes along next year what do you charge them. Cal says that is how all this came about and fell back on Differding Pt. it was a precedence and it was something we could use as a real number. Kelly Campbell would have been happy to pay \$3,500. We couldn't get the line in front of his house. They came to meeting after meeting for years to try and get it through. And we couldn't do anything because we couldn't come up with the money. He couldn't get enough people to commit to pay so in the end he hired a contractor and an attorney and he ran the line thru neighbor's properties. Maybe it was too much but what else could we do. Chris says the line was shared by everyone. Cal says no it was only the people who wanted to connect paid. That's why they came up with the standby that was the insurance policy. Diane states that was the difference between the water line and the sewer line. The sewer everyone was assessed. When the waterline was put in everyone had an option, that's why Jim chose the standby fee. On one side it may be wrong but it was fair to the people who just paid to connect to the line. Cal says on Lakeside it is a horseshoe and the PUC talked before for it to be a priority if we were to extend the line. We were always told it's not good to dead end a waterline. Kelly, Nelson and Marcaccini asked for years and the Town wouldn't take it out of the general fund and we couldn't get any more out of IRRRB because it was considered complete in regards to fire protection. Chris asks when it was extended thru Jim Pernu's neighborhood anyone had the right to hook up for free prior to this date. And after a period of time it was going to be \$3500, because Differding Pt paid \$3500 now you will pay \$3500 unless you pay the

insurance policy. Cal said you still had to pay to hook up it wasn't for free. But the line and the contractor were there, it was a line item bid so everyone paid the same for the tap. They still had to pay the contractor to bring the line into the house. Cal says it is a real quagmire. When talking to John we have about 2 years left before we could sunset the sewer. The waterlines were put in before the sewer lines. We haven't done a waterline in a long time. They did O'Laughlin they made a loop in 2009, due to Adams made the development and put in a waterline that did not meet ten state standards. Heidi believed some of the WAC money was used for that project and the people also have been paying like an assessment but it just goes on their bill. It will be up in 2019 will be ten years. Dennis asks if Jim isn't paid up he loses the money if it transfers to the new owner? Diane says as long as the new person continues to pay the standby and there is no break then they continue to be covered. So, if a new person comes in they don't have to pay anything but the inspection fee of \$200 as long as they continue to pay the standby insurance policy. They don't have to pay any large sum. Right now it is like a term policy not a whole life policy you just keep paying and when you stop its done. Discussion of changing the policy to a whole life where it sunsets at a certain fee.

- **Motion by Chris Erickson to change the fee schedule such that if a property spans the current, previous and future owners, if they eventually pay enough standby water fees to equal the, then current WAC water access charge, then that property gets no future standby water charges and can connect solely by paying the then connection fee. Second by Greg Buckley. Motion carried unanimously.** Chris says feel free to revise the wording and shorten it.

NEW BUSINESS

Letter from Fayal to City of Gilbert re: a possible water line usage for a fee per 1,000 gallon for Gilbert to use our waterline to get water from the City of Eveleth. Gilbert use averages 150,000 gpd or 4.5 million gallons per month. Diane stated Tony, Dale and Gilbert and SEH met and talked about the possibility of coming up with another plan to get water. They are looking at a possibility of getting water from Eveleth but they would have to use our waterline or build a new waterline. So, they came up with an amount Fayal would charge. Greg asks if our waterline can handle that. SEH tested the pressure of our waterline. Dennis says the way they messed with us he is not sure we should work with them. Diane says maybe we could recoup some of our water fees.

TREASURER REPORT

Chris Erickson reported on the Treasurer report provided by Clerk Coldagelli as of 7-31-2018. Year to date.

FWC Beginning balance \$60,098.98 Revenues \$48,453.06 Expenditures \$30,865.95.

Current cash balance \$70,337.96.

FSC Beginning balance \$245,958.83 Revenues \$656,705.81 Expenditures \$335,238.20.

Current cash balance \$228,426.44.

8-31-2018. Year to date.

FWC Beginning balance \$60,098.98 Revenues \$55,939.55 Expenditures \$39,391.58.

Current cash balance \$73,208.08.

FSC Beginning balance \$245,958.83 Revenues \$705,945.75 Expenditures \$380,382.45.

Current cash balance \$235,134.63.

Chris reports the big picture is the Water Co. is still cash flow positive. The Sewer Co, is very slightly cash flow negative but both of our big payments have been paid for the year. It might come into balance by the end of the year. We will have to look at our water rates if our bill goes up \$30,000 a year we will go from positive to negative cash flow. Dennis asks what he thinks it's going to go up, possibly 40% increase. Diane states we are charging a fixed charge per month plus a conservation rate per gallon charge. Maybe adjust the fixed rate and then the metered rate. Cal says maybe this would be the time to

look at a water district. Possibly that is what SEH is talking about. One faction should be able to handle all of the water. Chris states Gilbert uses ten times as much water as we do. Cal says they probably have water loss due to bad lines. Cal states City of Virginia had a huge water loss and they were losing a water tank a month.

CABLE

Greg states they are looking at some grants to purchase new equipment to go HD. Media Com letter re: Broadband expansion project. They are doing the project in Long Lake but they are not going all the way to Cal's son's house on Hwy 37.

GAS

Nothing at this time.

STREET LIGHTS

Nothing at this time.

FYI

Next PUC meeting will be Tuesday October 9th at 7:00 p.m.

ADJOURNMENT

- **Motion to adjourn the regular meeting made by Dennis Pernu, support from Chris Erickson.
Motion carried unanimously.**

Chairman Dennis Pernu adjourned the regular meeting at 7:59 p.m.



Diane Dickson
Fayal Township Deputy Clerk
PUC Coordinator/Billing Clerk

Approved 10.9.2018
