

PUBLIC UTILITIES COMMISSION

FAYAL TOWN HALL

December 8, 2020

The regular meeting of the Fayal Public Utilities Commissioners was called to order at 7:00 p.m. by Chairman Greg Buckley. Present were Commissioners: Greg Buckley, Ed Vest, Gina Brascugli & recording secretary Diane Dickson. Chris Erickson was attending via conferencecall.com. Amy Jackson was absent.

APPROVAL OF MINUTES

- **Motion to approve the regular PUC meeting minutes of November 10, 2020 made by Ed Vest, second by Gina Brascugli. Motion carried unanimously.**

GUESTS

No guests.

CORRESPONDENCE

Delinquency Report~ as of 11-24-2020 \$6,497.08 this is reflecting the accounts that were certified to the county which lowers our delinquency report balance. Placed on file.

November Water Wastewater Report~ was reviewed lift station A-1 has a temporary fix. Ed asks if there are more repairs and yes, most of the pumps, elbows and rails are 20 years old and wearing out. The PUC would like to see a spreadsheet with the data relating to Lift Station pumps and major work that has been done, when and what it cost to be used as a planning tool. Placed on file.

11-5-20 St Louis County tax apportionments~ received \$5,786.23 for delinquent utilities plus \$632.44 Certification fees. Payments were received from 7 accounts.

OLD BUSINESS

SEH Matt Reid Horseshoe Lake Sewer Extension~ The work has been completed but not billed.

TPC Telemetry & Process Controls, Inc.~ Charlie installed the new SCADA computer and program in October. We are still working through issues we are getting closer.

GIS SEH~ Still verifying discrepancies.

Access to Availability Ord 98-1 & 98-2~Amy, Greg and Diane will be working on this to update wording from Access to Availability and SAC Resolution 2018-13 & 2000-14- Twin homes 98-2. Greg reports we should be able to work on this in January.

State of MN/ Eveleth Gravel Pit~ Ed thought there was a meeting with the City of Eveleth but we have not heard anything new.

NEW BUSINESS

PUC Commissioner positions for next year. All of the commissioner's terms are current. Chair is Greg, Vice Chair is Amy, Secretary is Diane, Treasurer is Chris. Greg would like to step down from the Chairman position but upon further discussion everyone will remain in the same positions.

- **Motion by Ed Vest to do a white ballot for all the positions as they exist and keep everyone in the current position, second by Gina Brascugli. Motion carried unanimously.**

TREASURER REPORT

Reviewed by Chris Erickson, provided by Clerk Coldagelli as of 11-30-2020 Year to date.

FWC Beginning balance 2020 \$52,690.12 Revenues \$ 74,383.65 Expenditures \$78,282.56

Cash balance \$46,512.38. FSC Beginning balance 2020 \$185,921.48 Revenues \$941,107.11 Expenditures \$684,858.06 Cash balance \$108,890.46. PUC Beginning balance \$0 Revenues \$10,105.11 Expenditures \$10,080.78. Cash balance \$24.33.

Depreciation 4M Fund \$227,497.89 (2,699.04 int.)

PUC Truck Depreciation 4M Fund \$24,903.02 (269.90 int.)

Chris reported he talked with Clerk Coldagelli and the sewer company is no longer cash flow neutral it's going to be \$-70K due to the cleaning & televising and maintenance bills. The Televising is running about \$50K a year and there are a couple more years of Cleaning and Televising then we should get a break but this is going to be new long-term cost. The pump repairs are going to be continuing. The GIS work has not

been totally billed yet. Chris did some rough calculations and next year if we do nothing, we are going to be about \$70K in the negative and that comes out to \$8 a month per customer. Our Expenses and Receipts have been equal to the \$72 per month. Going forward our expenses are going to be about \$80 per month. We do have a one-time lump sum from the Sewer Assessment project with about \$400K. Chris explains a couple of scenarios 1. We could burn down that fund and it would take 5 or 6 years until its gone and keep the rates the same. 2. Keep the fund and raise the rates to \$80 a month. 3. Somewhere in the middle.

Chris's opinion is to leave the rates alone and spend down the excess fund, unless there is a good use for it in the near future. Also, we shouldn't be running that far cash flow negative because sooner or later the pots going to run out and then the increase is going to be really big. In the past we said we should be doing an annual increase to keep up with inflation and that would be like \$1 or \$2 a month. Chris personally feels we should raise the rates \$1 or \$2. Chairman Tony Tamaro would like to suggest use the pot of money but later he said he is okay with raising \$1. Chris is okay with \$0, \$1 or \$2 increase, but we would still be running a deficit and that would be eating into that \$400K. If you look at the rest of the cash in the sewer company, we have \$100K extra and another \$250K in depreciation plus the \$400K one-time fund on top of that. Maybe the first thing is to decide what is the long-term purpose of the \$400K fund. Are we going to keep it for big projects or use it alleviate potential future rate increases? Ed is wondering if we have heard anything from Gilbert. We would hate to do an increase and then do another right after that. Greg's thoughts are as long as normal recurring operations are being covered by our monthly sewer income and make sure those match. That is our main goal. What is our undetermined liability with the pump replacements and we can look at pump replacements and other big cost items which would normally be capitalized expenses in a normal company, we should look at them differently. And not try and cover them with the normal cash flow operations. Greg feels the \$400K came from bonding to pay for the sewer project originally. It would be reasonable to use that \$400K for capital purchases and significant repairs. And the depreciation fund is also there to replace assets. Greg feels we should look at the negative \$70K differently and see what's being contributed from capital improvements and maybe its not a negative for day-to-day operations. Chris says next year we are going to be putting away \$40K for depreciation. Another option is let's not put anything away for depreciation and raise the rates only \$30K instead of \$70k. If we don't set aside for the depreciation, we have the \$440K we could use for capital purchases that the \$40k in depreciation would otherwise go to. Greg states it would be nice to have a chart to know what are we looking at for undetermined liability for the pump replacements and know if the \$400K is going to cover it or not. Then we would know if we need to slowly raise the rates now so we would not have a large adjustment at the end when the \$400k is gone and we still have large purchases to make. \$1 or \$2 now would go a long way to extend the \$400K if that isn't going to cover our pump replacements. Once we get through this round of pump replacements, we should be good for awhile in theory. The \$50K for pump replacements this year could be ongoing. July of 2019 is when we raised the rate to \$72. Chris did quick math and if we did not fund the depreciation next year and keep the \$400K for capital expenses. We could be cash flow neutral with \$75 a month. Greg would like to see the normal day to day expenses separately and the capital expenditures separately. You might want to replace all of the pumps at one time and then that would go on to the property taxes VS on the bill. Depends on how people want to pay for it. There are 60 pumps two in every lift station and they alternate when they run. Some stations do not run as much due to number of homes on the line. Chris's agrees with Greg saying the proper way to do this is with the operating expenses covered by the operating revenue, and the capital expenses are a separate issue. If we don't make adjustments to how we are handling things we will result in an \$8 a month increase. Maybe we don't fund depreciation as much because of the \$400k to provide for half of the expenses for the next few years. Chris would like Heidi and possibly the pump company explore what we could project for our costs to cover major replacements. We will work on this and get it to Chris and Greg and work with Heidi. In the future keep capital expenses separated from the normal expenses. Chris reported the money market fund interest rate has collapsed, and now the local banks can offer us a better deal. The best deal now is .55% with

Miners who is Fayal's current bank of record, with a 12-month CD available. We should take advantage of that. He is comfortable leaving it up to Heidi to decide what she feels we can tie up for 12 months. Greg agrees .55% is a good rate. Most banks are not paying anything on deposits now because they are getting flooded with deposits.

- **Motion by Chris Erickson to recommend the Town Board have Heidi invest as many funds as she feels are prudent into the .55% Miners Bank CD, support by Ed Vest. Discussion- Greg would like to note that it is unlikely interest rates will be going up any time soon. The Federal Reserve has stated they are going to be in ultra-low interest rate environment for probably 2 years, so we shouldn't be exposing ourselves for much interest rate risk or loss by locking in for 12 months.**
- **Motion carried unanimously.**

Interesting fact Chris noted the first bank was in 1798 and our interest rates now are the lowest they have been in the history of banking.

- **Motion by Greg Buckley second by Ed Vest to approve the Treasurer's report.**
- **Motion carried unanimously.**

CABLE

Nothing at this time.

STREET LIGHTS

Nothing at this time.

FYI

Next PUC meeting will be Tuesday January 12, 2021 at 7:00 pm.

- **Motion by Greg Buckley to adjourn the meeting, second by Ed Vest. Motion carried unanimously.**

Chairman Greg Buckley adjourned the regular meeting at 7:36 p.m.

Respectfully submitted,



Diane Dickson
Fayal Township Deputy Clerk
PUC Coordinator/Billing Clerk

Approved 1.12.2021
