

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Zirngible, Rossi, Doyal and Vetter. Absent was Commissioner Johnson. Also present were General Manager Warehime; City Administrator Busse; Director, Finance & Administration Olson; Director, Engineering & Field Operations Fenstermacher; Director, Information Technologies & Metering Baum; Manager, Facilities & Gas/Water Operations Prokopec; Manager, Human Resources Madson; Supervisor, Accounting Linders; Executive, Communications & Administration Coordinator Schmoll; Energy Conservation & Key Accounts Officer Hendricks; Accountant Lori Jerpbak; and Accounting Specialist Shanda Meier. Kent Myers, Vision Companies, attended via Microsoft Teams.

President Zirngible called the meeting to order and led the Pledge of Allegiance. He then asked for approval of the agenda and the consent agenda. The consent agenda items contained the minutes from the August 29, 2023 Commission meeting as well as the contributed services report as of August 31, 2023. Commission Doyal moved to approve the agenda and consent agenda. Commissioner Vetter seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Finance Committee – Commissioner Doyal reported the Finance Committee met, reviewed and approved vouchers totaling \$6,034,843.00. He reported three work orders were closed, leaving 51 work orders still open.

Personnel Committee – Commissioner Rossi reported the Personnel Committee met. They received updates on one OSHA recordable that is being cause mapped, health insurance considerations for 2024 and a staffing report. There is one position open for a Meter Serviceworker.

City Administrator's Report

City Administrator Busse reported On September 19, the City Council adopted a preliminary budget and levy with a 9.05 percent increase over last year. Discussions about next year's budget began in June along with invitations to community members to provide input throughout the process. The final budget can be reduced from the preliminary budget but cannot be increased. There are two main drivers of the 2024 budget. Personnel, and Capital Improvement projects. Low unemployment rates and strong competition for the workforce requires employers to provide compensation and benefits that encourage retention. The 2024 budget will include an annual increase in wages and steps equivalent to roughly 4.5 percent of the overall levy. The City must also plan to fund State-mandated Workplace Sick and Safe requirements. A conscious decision has been made annually with the budget process to maintain minimal staffing levels. When compared to similar sized, growing communities, Owatonna's headcount is well below the average. New positions are being added to the 2024 budget to help address workloads and right-size our workforce to meet the community's needs as it grows. In terms of capital improvement projects, The City Council adopts an annual five-year Capital Improvement Plan (CIP) which identifies upcoming capital needs. The 2023 legislative session increased Owatonna's Local Government Aid (LGA) by \$890,000 which has been earmarked to address an extensive backlog of urgent deferred maintenance on City-owned buildings. The City is committed to preserving and utilizing buildings on the West Hills Campus through partnerships that support key needs of the community such as daycare, cultural and historical organizations and the arts. Plans are being developed for investing in these buildings to help position the City long-term to address and plan infrastructure needs in a way that delivers the highest value for taxpayers. Three percent of the proposed 2024 levy increase is allocated to increase annual funding for the CIP.

The City strives to align tax capacity with population and business growth. Owatonna taxpayers have benefitted from the tremendous amount of new construction and growth that has exceeded most of our neighboring communities. Our levy increases have, historically, remained below our tax capacity increases

generated by growth. The rate at which the City has taxed properties over the past five years is consistently low because it has been offset by Owatonna's increased tax capacity. The City's actual tax rate in 2023 and the one proposed for 2024 is lower than it has been in the past five years because tax capacity is growing. Owatonna's 2023 tax capacity increased by 17 percent; however, the City levy only increased nine percent. For 2024, tax capacity is projected to increase by seven percent which helps offset the impact of the City's proposed 9.05 percent proposed levy increase. The final budget and levy will be adopted on December 19. In the meantime, the city will continue to review and analyze the 2024 budget and hopefully be able to reduce the preliminary levy based on updated information.

Load Control and Energy Management Policies

General Manager Warehime presented the Load Control Program and Energy Management Program policies to the Commission. He noted, previously both programs were included in the same policy. We are proposing to separate the two programs for the 2024 cooling season. Energy Conservation & Key Accounts Officer Hendricks distributed an acronym explanation sheet and noted the EM program is for large customers offering them an incentive for load shedding. The LM program is a residential program which controls central air conditioners during peak electrical usage. Mr. Hendricks discussed why the policies are being looked at and noted, the language for the LM program did not change. He further explained definitions used in the EM program, discussed the history for the current program, as well as proposed changes. Proposed changes include overhauling the incentive structure, encouraging more accurate target load reduction agreements, and allowing for the ability to request load shedding during Grid Stability alerts. He concluded by discussing the savings and impacts of the proposed changes.

Commissioner Rossi moved to separate the Load Control program and the Energy Management program into separate policies and moved to approve the Load Control policy as submitted. Commissioner Vetter seconded the motion. All Commissioners voting Aye, the motion passed.

Commissioner Rossi moved to approve the new Energy Management Policy as presented. Commissioner Zirngible seconded the motion. All Commissioners voting Aye, the motion passed.

Camera Surveillance System Policy

Director, Information Technology & Metering Baum presented the updated Camera Surveillance System policy to the Commission. He noted, the policy incorporates the Commission's recommended changes and will have a corresponding procedure which will clearly outline who can use the system, what the information can and cannot be used for, and eliminates ambiguity in the policy. After discussion, Commissioner Rossi moved to approve the Camera Surveillance System policy as presented. Commissioner Doyal seconded the motion. All Commissioners voting Aye, the motion passed.

Resolution Designing Lower VSB as Restricted Area

General Manager Warehime presented a resolution to the Commission designating the area below OPU's vehicle storage building as employee only space. Designating this area as "Employee Only" provides safety precautions for employees working afterhours or on the weekends. This resolution was reviewed by the City Attorney. After a slight discussion regarding first amendment audits, employee & customer safety, and necessary signage, Commissioner Doyal moved to approve the resolution as presented. Commissioner Rossi seconded the motion. All Commissioners voting Aye the motion passed.

General Manager/Staff Reports

General Manager Warehime discussed the rate study enclosed in the agenda packet. He noted the study is conducted every six months and gives an indication of where OPU's base rates fall compared to other utility companies. Utility companies consistently at the lower end of the rate spectrum typically have hydropower which tends to be less expensive. Commissioner Rossi inquired if other states could be included in the study. General Manager Warehime noted the American Public Power Association publishes a report that he will share with the Commission.

General Manager Warehime reported to the Commission, OPU staff is beginning their 2024 strategic planning. He noted, part of the process this year was for Kent Myers, Vision Companies, to conduct a baseline survey with the Commissioners to better understand the diversity and alignment of the perspectives and perceptions regarding OPU. Mr. Warehime recapped the findings in the survey. He discussed the common key assets and core competencies, risks to the organization, what differentiates OPU from our competition, drivers of change over the next 5 years, the picture of the future, greatest obstacles if left unaddressed, and what the Commission feels we need to focus on right now.

Director, Finance and Administration Olson presented the preliminary 2024 rates to the Commission. He reviewed rate terminology and discussed proposed rate changes for each utility separately. Proposed rate changes include 2.1% increase in electric, a 5.2% increase in water, and a 9.3% decrease in the purchased gas adjustment calculation. Commissioner Vetter inquired if the increases are equal for all customer classes. Mr. Olson noted, commodity cost increases or decreases are across the board. Mr. Vetter also inquired about reserve levels and if what we have is enough. Mr. Olson noted the reserves policy details how the reserve levels are set and there is a component that focuses on the capital plan. After discussion, the Commission felt the water increase could be higher than 5.2%.

Director, Engineering & Field Operations Fenstermacher presented on and discussed the two major outages OPU experienced in August.

Commission Roundtable

The Commission thanked staff for all the great information at this meeting.

Adjournment

There being no further business to come before the Commission, the meeting adjourned at 5:59 p.m.

Respectfully submitted,

Tammy Schmoll,
Executive, Communications & Administration Coordinator