

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
January 31, 2012

Members Present: Mr. Williams, Mr. Reichert, *Mr. Stahl, Mr. Hanson and Mr. Browning
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Williams called the meeting to order at 4:00 PM.

- 1.a. Mr. Hanson moved to nominate Mr. Jerry Williams as Board President for the upcoming year. No further nominations were made.

Mr. Hanson moved to close the nominations, seconded by Mr. Browning.

All voting "AYE"

Mr. Browning seconded the motion to nominate Mr. Williams as President.

All voting "AYE"

- 1.b. Mr. Williams appointed Kathy Wilson as Board Secretary.

- 1.c. Mr. Williams made the following Board assignments:

- Legal and Policy – Mr. Stahl
- Strategic Planning and Communications – Mr. Browning
- Finance, Accounting and Audit – Mr. Reichert
- Operations and Administration – Mr. Williams
- Council Liaison – Mr. Hanson

2. Mr. Hanson moved to approve the minutes of the December 20, 2011 meeting, seconded by Mr. Reichert.

All voting "AYE"

* Mr. Stahl entered the meeting at this time.

3. Mr. Stahl moved to approve the payables report, seconded by Mr. Reichert.

All voting "AYE"

4. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.

5. The proposed replacement of the 4th Street SE Reservoir was discussed. Mr. Verne Jacobsen (TKDA), Mr. Jeff Zeitler (TKDA), and Mr. Bill Angerman (WHKS) appeared

before the Board to discuss the project. TKDA with assistance from WHKS Engineers was selected to conduct a study to determine the appropriate type and location of a new larger water storage facility which will be constructed to replace the existing 580,000 gallon ground storage at 4th Street SE. The reservoir was constructed in 1917. A prior water system study conducted in 2008 by Progressive Consulting Engineers noted that the Main Level Service Area (including the downtown area) is deficient approximately 1.2 million gallons of water storage, and ultimately 3.5 million gallons based on water industry standards.

Mr. Verne Jacobsen, TKDA, explained the following five water storage alternatives to the Board:

- a. A 2.0 million gallon ground storage reservoir located at the existing 4th Street reservoir site.
- b. A 2.0 million gallon Hydropillar water storage tower on the existing 4th Street reservoir site.
- c. The construction of a 2.0 million gallon storage reservoir on the Saint Marys Park site.
- d. The construction of a 3.5 million gallon ground storage reservoir on the Saint Marys Park site and removal of the existing 1.5 million gallon ground storage reservoir located on property adjacent to the Park.
- e. The construction of a 2.0 million gallon Hydropillar water storage tower, or reservoir, on the site near 3rd Avenue SE between 5th Street SE and 6th Street SE on property owned by the Mayo Clinic (referred to as the "Fullerton Property" during the meeting).

Mr. Jacobsen informed the Board that a 2.0 million gallon concrete ground storage reservoir could be built on the existing downtown site and would provide satisfactory service. Mr. Jacobsen said that the replacement reservoir would need to be located above the flood plain and would create an overlook that would be handicap accessible.

However, TKDA and WHKS recommended constructing the replacement reservoir on the Saint Marys Park site. Mr. Rovang, RPU Senior Civil Engineer, said we currently have approximately 2.0 million gallons of storage between the existing 4th Street SE site and the Saint Marys Park site, and need to add another 1.5 million gallons.

Mr. Williams asked if any of the options would remove the old structure and build a new structure on the old structure. Mr. Rovang said they would not because RPU needs to keep its existing water storage in service until the replacement storage is placed in service. Mr. Williams then asked if a 3.5 million gallon reservoir was needed at the Saint Marys Park site. Mr. Rovang said that one option was constructing a 2.0 million gallon reservoir, and keeping the existing 1.5 million gallon reservoir at this site in service. However, Mr. Rovang reminded the Board that TKDA and WHKS had recommended the construction of a 3.5 million gallon reservoir at this location which would also replace the 1.5 million gallon reservoir which was constructed in 1930. The current total storage need for this area is 3.5 million gallons. Mr. Stahl asked about building materials. Mr.

Jacobsen replied that steel is \$150,000 more expensive than concrete, but in terms of maintenance costs, concrete is far superior. The hydropillar options, which are also steel, are also more expensive.

Mr. Jacobsen summarized the estimated costs for each of the five alternative storage facilities as follows:

Alternatives:

A	2.0 mil gal reservoir at 4 th St SE Site	\$3,302,800
B	2.0 mil gal Hydropillar at 4 th St SE Site	\$4,255,500
C	2.0 mil gal reservoir at Saint Marys Park	\$3,330,900
D	3.5 mil gal reservoir at Saint Marys Park	\$3,403,500
E	2.0 mil gal Hydropillar at Mayo "Fullerton Site"	\$4,509,300

Mr. Doug Knott, Development Administrator, City of Rochester, appeared before the Board to discuss the City Administration perspective on this issue. The City currently leases and receives from Olmsted County a significant amount of money for 132 parking spaces. He said the City is probably five to 10 years away from any redevelopment on the current downtown reservoir site, but would like it to be a green space when this occurs. (As mentioned in the For Board Action request for this meeting, the Rochester Downtown Master Plan, accepted by the Rochester City Council in 2010 as an appropriate vision for the future, calls for the existing reservoir site to become an open space as a part of a Green Corridor extending along the Zumbro River through the downtown area.) Mr. Knott also said that it is the sheer amount of space the new reservoir downtown would take up, whether this would be in the 203 foot height of a hydropillar structure, or the space required for new ground reservoir, that is a problem.

Mr. Rovang said that staff has reviewed the TKDA study with City Administration staff, Park and Recreation staff, Consolidated Planning staff, Public Works staff, Saint Marys, Mayo Clinic, and the Minnesota Department of Health. Additional communication could be needed with the Councilmembers, various neighborhood groups, Rochester Downtown Alliance and others. Mr. Koshire said we need to get broad stakeholder input in order to balance the costs against the need for more water storage. Mr. Williams said he would be interested in hearing comments from other meetings. He said the Board is interested in hearing a variety of thoughts and educating the community before taking any action. Mr. Williams also suggested that a member of the Board could accompany staff as a listener at the meetings with various stakeholders and the public. He said we have to be able to say we looked at all options, and that cost is a factor, but not the only factor. Mr. Williams directed staff to continue to evaluate possible other reservoir or tower sites around the Mayo "Fullerton" site, and to provide another update to the Board before June.

- 6.a. The Board reviewed the bids received for hourly contract tree trimming for a two year period. Mr. Hanson moved to approve a contract agreement with Wright Tree Service, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Wright Tree Service Inc., subject to approval of the 2013 RPU budget by the Board and Council, and request the Mayor and the City Clerk to execute the agreement for

2012 – 2013 Hourly Contract Tree Trimming

The amount of the contract agreement to be SIX HUNDRED FORTY-SEVEN THOUSAND NINE HUNDRED SIXTY-NINE AND 60/100 DOLLARS (\$647,969.60), and Wright Tree Service Inc. being lowest responsible bidder.

- 6.b. Mr. Reichert moved to approve a lump sum tree trimming contract for 2012, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Wright Tree Service Inc., and request the Mayor and the City Clerk to execute the agreement for

2012 Lump Sum Tree Trimming
For Trimming Drawings 904A, 905A, 911D, and 911F

The amount of the contract agreement to be SEVENTY-FOUR THOUSAND THIRTY DOLLARS AND NO/100 (\$74,030.00) and Wright Tree Service Inc. being lowest responsible bidder.

- 7.a. A Memorandum of Understanding between the City of Rochester and the International Brotherhood of Electrical Workers (IBEW) for a 10 Hour Water Operator Work Schedule was discussed with the Board. Mr. Kotschevar, Director of Core Services, said this was a win-win situation for everyone involved and was based on a one year trial. He also said the new schedule may reduce overtime. Mr. Stahl moved to approved the Memorandum, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve a Memorandum of Understanding for the International Brotherhood of Electrical Workers (IBEW), Local 949 Collective Bargaining Agreement and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for:

Ten- Hour Shift Schedule for the Water Operators

- 7.b. A Settlement Agreement with the International Brotherhood of Electrical Workers (IBEW) regarding the City of Rochester's response time policy was reviewed. Mr. Koshire said the time issue involved mediation for one employee only. Mr. Stahl asked if response time was an objective standard. Mr. Adkins responded that state law limits the employees required for response time to certain categories. Mr. Koshire said the City policy defines the time which corresponds to state law. He also said that staff is reviewing the policy with the City. Mr. Williams said it was his opinion that grievances are more for the benefit of employees rather than our customers. He also said that he was not sure this Settlement Agreement recognizes the importance of safety to employees. Mr. Koshire said the safety of employees and the safety of the public are top priorities at RPU. Mr. Hanson moved to approve the Settlement Agreement between the City of Rochester, acting through its Public Utility Board, and IBEW, seconded by Mr. Browning.

Four voting "AYE"
One voting "NAY" (Mr. Williams)
Motion Carried

8. Mr. Browning moved to approve a 10 MW capacity sale to Southern Minnesota Municipal Power Agency for the period of March 2012 to May 2013, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a 10 MW sale of capacity for the period of March 2012 to May 2013 to Southern Minnesota Municipal Power Agency, and request the Mayor and the City Clerk to execute the agreement.

9. Mr. Hanson moved to approve the fire alarm system upgrade project at the RPU Service Center, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Custom Alarm for

RPU Service Center Fire Alarm System Replacement

The amount of the purchase order agreement to be SIXTY-ONE THOUSAND ONE HUNDRED EIGHTY AND 72/100 DOLLARS (\$61,180.72) plus sales tax, and Custom Alarm being lowest responsible bidder.

10. Mr. Reichert moved to approve the Minnesota Department of Natural Resources water use fees, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of water use fees for Municipal water system (ground water) Permit #795076 in the amount of \$51,810 to the Minnesota Department of Natural Resources.

11. Mr. Hanson moved that the approval of the following revised Board policies be continued to February 28, 2012, seconded by Mr. Stahl.
- Board Relationship with the Common Council
 - Delegation of Authority/Relationship with Management
 - Worker Safety

All voting "AYE"

12. Mr. Reichert moved that the discussion and review of the following Board policies be deferred to a future Board meeting, seconded by Mr. Hanson.
- Mission Statement
 - Board Responsibilities and Functions
 - Board Organization
 - Board Procedures

All voting "AYE"

13. The General Manager provided the following report to the Board:
- a. Mr. Hanson was appointed to the Utility Board for another year.
 - b. Mr. Koshire discussed the Sherco 3 power plant outage that occurred on November 19, 2011. As mentioned at the December board meeting, the unit is owned jointly by Xcel Energy and the Southern Minnesota Municipal Power Agency (SMMPA) and is operated by Xcel Energy. Extensive work needs to be done on the unit, but it was insured. SMMPA has been able to buy replacement power for extremely low prices for the next year. There is no need for a rate increase for 2012 from SMMPA. Xcel Energy should know how long the Sherco 3 unit will be out in two to three months.
 - c. At the February Board meeting, the CapX2020 Project Development Amendment Agreement will be presented for approval. The Lake Zumbro dredging project will be discussed. It is also anticipated that a portion of the meeting will be closed to have a discussion with the City Attorney regarding potential litigation strategies involving the U.S. Environmental Protection Agency request for information regarding the four Silver Lake Plant units and the EPA's allegation of Clean Air Act violations. The closed meeting will occur pursuant to Minnesota Statutes, Section 13D.05, subd 3(b). The March Board meeting will contain the final financial results.
 - d. Mr. Schlink, Director of Power Resources, announced that Ms. Patty Hanson, Manager of Marketing, has been named Associate of the Year by Rochester Area

Builders.

- 14. The management reports were discussed.
- 15. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Reichert.

All voting "AYE"

The meeting adjourned at 6:00 p.m.

Submitted by:

Hester Wilson
Secretary

Approved by the Board:

Jay Williams
Board President

2/28/12
Date