

**Board of Water Commissioners
of the City of Saint Paul**

**April 10, 2012
Meeting**

**Agenda
and
Minutes**

BOARD OF WATER COMMISSIONERS

April 10, 2012

Meeting Agenda

CONSENT AGENDA:

1. Approval of the Minutes of the regular meeting of March 2012.
2. Approval of the Financial Statements for the month of February 2012.

ACTION ITEM:

3. Resolution No. 7162 pertaining to an Amendment No. 1 to Agreement with Bolton & Menk, Inc. to provide additional construction engineering services required to complete the Dale Street Reservoir project.

DISCUSSION ITEM:

4. Water rate study findings and recommendations from Springsted Incorporated. (attachment)

GENERAL MANAGER'S REPORT

BOARD OF WATER COMMISSIONERS

April 10, 2012

Meeting Minutes

President Anfang called the meeting to order at 5:00 p.m. in the Committee Hearing Room 330, City Hall.

Roll call.

Present: President Anfang, Vice President Brendmoen, Secretary Gagnelius, Commissioners Bykowski, Kleindl, Lantry, Rossbach and Tolbert.

Steve Schneider, General Manager; Nick Dragisich and Patty Kettles; Springsted Incorporated; Steve Gleason, Bill Tschida, Brad Eilts and John Blackstone, Saint Paul Regional Water Services.

Mr. Schneider explained a correction to documents presented at the previous Board meeting concerning reconstruction of the Wheelock Bridge over the Board's Low Service right-of-way. The agreement with the City of Saint Paul and Board Resolution No. 7159 approving the agreement were corrected to reflect that the bridge is situated east of Rice Street, not west.

CONSTENT AGENDA:

Consent Agenda Item Nos. 1 and 2 were moved for approval by Commissioner Kleindl and seconded by Commissioner Bykowski as follows:

1. Approval of the Minutes of the regular meeting of March 2012.
2. Approval of the Financial Statements for the month of February 2012.

Approved

Yeas - 7

Nays - 0

ACTION ITEM:

3. Resolution No. 7162 pertaining to an Amendment No. 1 to Agreement with Bolton & Menk, Inc. to provide additional construction engineering services required to complete the Dale Street Reservoir project.

Mr. Schneider explained that the amendment is the result of 1) a change order with the construction contractor, Preload Inc., which extended the completion date by three months, 2) later design changes made additional inspection time necessary, and 3) adding inspection time for site restoration, which was originally planned to be performed in-house. The amendment is in an amount not to exceed \$19,250.

Commissioner Bykowski asked if the cost was provided for in the settlement agreement with the previous engineering firm.

Mr. Schneider replied that some of it was, but that not all costs of the additional costs are the result of the previous firm's performance.

Resolution No. 7162 was moved for approval by Commissioner Lantry and seconded by Commissioner Rossbach as follows:

WHEREAS, the Board of Water Commissioners entered into an agreement with Bolton & Menk, Inc. dated April 5, 2011 to provide professional construction engineering services required for the construction of a new 10 million gallon ground level water reservoir at its Dale Street Reservoir site in Roseville, Minnesota at a cost not to exceed \$111,600 (the "Initial Agreement"); and

WHEREAS, Bolton & Menk, Inc. has faithfully complied with all requirements and conditions of the Initial Agreement; and

WHEREAS, the parties desire to amend the Initial Agreement to provide for additional construction engineering services required for the completion of the project, made necessary by construction of the reservoir taking longer than originally estimated by the contractor; and

WHEREAS, staff has prepared Amendment No. 1 to Agreement which sets forth the conditions for providing said additional services at the same hourly rate as the Initial Agreement and at a cost not to exceed \$19,250, bringing the total cost of the Initial Agreement, as amended, to \$130,850; and

WHEREAS, staff does recommend approval of said Amendment; now, therefore, be it

RESOLVED, that Amendment No. 1 to Agreement between the Board of Water Commissioners and Bolton & Menk, Inc. to provide additional construction engineering services necessary to complete the construction of a 10 million gallon ground level water reservoir at the Board's Dale Street Reservoir site at a cost not to exceed \$19,250 is hereby approved in substantially the form submitted, and that the proper officers are hereby authorized to execute said Amendment on behalf of the Board following approval by the assistant city attorney.

Approved

Yeas - 7

Nays - 0

DISCUSSION ITEM:

4. Water rate study findings and recommendations from Springsted Incorporated. (attachment)

Mr. Schneider presented an explanation of the current consumption-based water rate structure. He added that following the presentation by Springsted, he will be seeking Board sentiment towards a combination fixed-fee/consumption-based structure.

Currently, a customer's water bill is based solely on volume of metered water with a minimum charge for 6 billing units and different rates for summer and winter. This results in revenues that fluctuate with weather conditions and have been trending steadily downward as more water conserving appliances and practices are implemented. However, around 80 percent of the utility's costs are fixed and do not go

down when water consumption does. In recent years, this disparity between fluctuating revenue and relatively stable costs has forced us to make substantial changes to our operations and investments to offset the lack of revenue that accompanied very low water consumption. So we wanted to look at ways to get a more stable, predictable revenue stream, which was the reason for the Springsted study.

Nick Dragisich and Patty Kettles of Springsted, Inc. presented a summary of the study.

Mr. Dragisich explained that the examples in the study reflect a two-year implementation of a fixed charge with reduced consumption rates, resulting in upwards of 90% of fixed costs being covered by fixed charges in the second year.

Mr. Schneider added that using the example in the study, the average resident would see an increase of about \$29 per year in each of the two ramp-up years.

Commissioner Bykowski expressed concern that the example causes the Domestic/Commercial revenue ratio to go from 51/49 to 53/47, especially concerning because the higher commercial usage is the reason so much capacity has been built into the system.

Mr. Schneider pointed out that fire protection is the primary reason for the system's capacity.

Vice President Brendmoen expressed concern that the examples seemed to show that despite a customer's efforts to lower water usage, the cost could still go up.

Commissioner Bykowski asked how often a fixed fee would be revised, expressing concern that it be often enough to cover increases in the costs of fixed expense items.

Mr. Schneider replied that across the country, utilities with fixed fees do not revise them very often; maybe every 5 to 10 years, instead relying on increases in the volume-based charges. There are a number of things to consider in initiating and managing a fixed fee and volume-based structure. Leaving the fixed fee unchanged and raising the volume-based charge shifts the ratio of Domestic/Commercial more to Commercial. Plus, wholesale contracts are based on volume-based charges, so the contracts would have to be renegotiated and adjustments possibly made throughout the term.

Commissioner Lantry stated her support of revenue stabilization, but that the example in the study is merely one way to accomplish it; that perhaps different combinations of fix and usage-based charges should be studied.

President Anfang stated that the questions posed don't appear to indicate the Board should stop evaluating a fixed fee option. Unless there's an objection, the rate study should continue evaluating fixed fee options.

(No objection was stated.)

GENERAL MANAGER'S REPORT

1. Light Rail (LRT)

Nearly two miles of water main has already been installed in University Avenue this year between Hamline and Dale. If the pace can continue, the utility portion could be completed by late July.

2. Dale Street Reservoir

The contractor will soon resume work now that road restrictions are off. The reservoir could be placed into service as early as July, with all site restoration completed by September.

3. Meter Replacement project

Approximately 57% (54,000 of 94,000) of meters have been replaced. Current pace is almost 1,500 per week. The project is on track for completion in the first quarter of 2013.

Alternate metering systems installed:

288 Outside Radio Read (no additional charge)

173 Outside Touch Pad (\$12 charge per read)

461 Total

4. On-line payments

Nearly 9,000 customers have enrolled in the program since its inception one year ago. Of those, 3,600 enrolled in E-Bills, which requires no printing and mailing of bills. Currently, approximately 3,500 monthly transactions are processed, totaling over half a million dollars. Outreach initiatives are being considered that would hopefully increase those numbers.

Motion to adjourn was made by Commissioner Tolbert and seconded by Commissioner Lantry.

Approved

Yeas - 7

Nays - 0

The meeting was adjourned at 6:10.

Attest:

Secretary Gagnelius

President Anfang