

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
FEBRUARY 19, 2019

1. **Call to Order** at 5:00pm in the SPUC Service Center, 255 Sarazin Street.
2. **Approval of Minutes**
3. **Communications**
 - 3a) Shakopee School District AED Program – Thank You
4. **Approve the Agenda**
5. **Approval of Consent Business**
6. **Bills: Approve Warrant List**
7. **Liaison Report**
8. **Reports: Water Items**
 - 8a) Water System Operations Report – Verbal
 - 8b) Windermere Booster Station – Bid Results and Award
 - 8c) Windermere Booster Station Easements
9. **Reports: Electric Items**
 - 9a) Electric System Operations Report – Verbal
 - 9b) Power Pole Wrap Project
10. **Reports: Human Resources**
 - 10a) Resn. #1238 - Regulating Wage and Contract Terms
 - 10b) Job Description Revision – Water Meter Technician
11. **Reports: General**
 - 11a) Preliminary December 2018 Financials
 - 11b) City Council Commissioner Reappointment Decision
 - 11c) Joint Meeting with the City Council
 - a. Meeting Date
 - b. City Council Agenda Items
 - c. SPU Agenda Items
12. **New Business**
13. **Tentative Dates for Upcoming Meetings**

- Mid Month Meeting	--	March 4
- Joint Meeting	--	March 12
- Regular Meeting	--	March 18
- Mid Month Meeting	--	April 1
- Regular Meeting	--	April 15
14. **Adjourn** to 3/4/19 at the SPUC Service Center, 255 Sarazin Street

MINUTES
OF THE
SHAKOPEE PUBLIC UTILITIES COMMISSION
(Regular Meeting)

President Weyer called the regular session of the Shakopee Public Utilities Commission to order at the Shakopee Public Utilities meeting room at 5:00 P.M., February 4, 2019.

MEMBERS PRESENT: Commissioners Joos, Amundson, Meyer, Clay and Weyer. Also present, Liaison Lehman, Utilities Manager Crooks, Finance Director Schmid, Planning & Engineering Director Adams, Electric Superintendent Drent, Water Superintendent Schemel and Marketing/Customer Relations Director Walsh.

Motion by Meyer, seconded by Clay to approve the minutes of the January 22, 2019 Commission meeting. Motion carried.

Under Communications, a thank you letter from Haven Acres was received for our SPU donation.

President Weyer offered the agenda for approval.

Motion by Amundson, seconded by Meyer to approve the agenda as presented. Motion carried.

There were no Consent items.

The warrant listing for bills paid February 4, 2019 was presented.

Motion by Amundson, seconded by Joos to approve the warrant listing dated February 4, 2019 as presented. Motion carried.

There was no Liaison Report.

Water Superintendent Schemel provided a report of current water operations. During the recent cold spell there were no issues with the water system. Several frozen services were reported inside residences. Staff responded and in most cases the water line was able to be thawed.

Mr. Schemel reviewed the 2019 City of Shakopee Street Reconstruction Project. An overview on the feasibility study was provided.

Motion by Joos, seconded by Amundson to offer Resolution #1236. A Resolution Approving Watermain Replacement with the 2019 City of Shakopee Street Reconstruction.

Ayes: Commissioners Amundson, Clay, Meyer, Joos and Weyer. Nay: none. Motion carried. Resolution passed.

Motion by Joos, seconded by Clay to offer Resolution #1237. A Resolution Approving Payment for the Pipe Oversizing Costs on the Watermain Project: Windermere. Ayes: Commissioners Amundson, Clay, Meyer, Joos and Weyer. Nay: none. Motion carried. Resolution passed.

Electric Superintendent Drent provided a report of current electric operations. There were no outages during the severe cold weather. Xcel Energy did cause a blink on our system and crews were dispatched to ensure no damage occurred. During the period, SPU provided updates to our customers as to the status of the electric system. Also, current construction projects were updated.

Utilities Manager Crooks read the MMPA Board Meeting Public Summary for January 2019.

A MMPA 2018 Year in Review presentation was provided by Mr. Crooks.

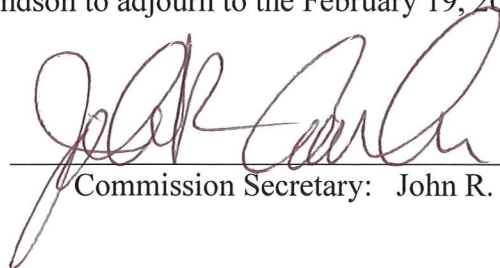
Motion by Joos, seconded by Amundson to adjourn to Closed Session – Annual Review of Utilities Manager.

Motion by Joos, seconded by Amundson to reconvene to Regular Session.

President Weyer stated that no official business took place during the Closed Session.

The tentative commission meeting dates of February 19 and March 4 were noted.

Motion by Joos, seconded by Amundson to adjourn to the February 19, 2019 meeting. Motion carried.



Commission Secretary: John R. Crooks

Crooks, John

From: Janni Hennes <rjhennes@aol.com>
Sent: Thursday, February 7, 2019 11:19 AM
To: Walsh, Sharon; Crooks, John
Cc: Rjhennes@aol.com
Subject: Shakopee Public Utilities AED donation complete.
Attachments: IMG_1941.jpg; IMG_1942.jpg; IMG_1943.jpg

Good Morning Shakopee Utilities- John and Sharon.

The AED donation Shakopee Public Utilities is complete.
The cabinet and AED are mounted at the East Jr. High in Shakopee at Door D.
This door faces the west side of the building where the buses unload and is a highly traveled entrance and also located by the Industrial Tech classrooms.

Thank You again for your generous donation to Shakopee Schools.



Janni Hennes



AED
AUTOMATED
EXTERNAL
DEFIBRILLATOR

AED
donated by
Seward Park Unified

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: John R. Crooks, Utilities Manager 
FROM: Lon R. Schemel, Water Superintendent 
SUBJECT: **Bid Award for Windermere Booster Station**
DATE: February 14, 2019

Attached to this memo is the recommendation from our consultant, Sambatek, to accept Rice Lake Construction as the low bidder for the construction of a hydro pneumatic booster station. John Karwacki from Sambatek will be present during the February 19, 2019 Commission meeting to answer specific questions and to make bid recommendations to the members of the Commission.

Also attached to this memo are the bid tabulation results for the bid, which took place February 13, 2019 at 10:00am in the Commission meeting room.

February 19, 2019

Honorable Chairman and Members of the Commission
 c/o Lon Schemel, Water Superintendent
 Shakopee Public Utility
 255 Sarazin Street
 Shakopee, MN 55379

Subject: Contractor Bid Award Recommendation
 Windermere Booster Station, SPU, Shakopee

Dear Mr. Schemel,

On Wednesday February 13, 2019 a bid opening was held for the Windermere Booster Station. Four bids were received and Rice Lake Construction, Inc. was the apparent low bidder:

The four bids received are listed below:*

	<u>BASE BID</u>	<u>ALTERNATE OCTOBER 1 SUBSTANTAIL COMPLETION BID</u>	<u>TOTAL BID</u>
Rice Lake Construction:	\$2,318,200.00	\$25,000.00	\$2,343,200.00
Gridor Constr., Inc.:	\$2,350,200.00	\$25,000.00	\$2,375,200.00
Ebert Construction:	\$2,388,111.35	\$15,000.00	\$2,403,111.35
Magney Construction:	\$2,619,796.00	\$80,000.00	\$2,699,796.00

* Based on verified calculated Bid Items costs.

All the bids were totaled and checked. The Rice Lake Construction bid was verified as the low bid. Bid submittal documentation was reviewed including municipal facility experience was found to be acceptable.

The separation between the three lowest bids is representative of a very competitive group of bids and is a good indication of competitive bidding between the three construction companies.

The Engineer's construction cost estimate was \$1,900,000 and was low by \$443,200 this is an indication of an increase of construction projects and bidding activity in late 2018 and early 2019, material price increases due to inflation and tariffs and labor cost increases due to the construction worker shortages. The Engineer's construction cost analysis under estimated the influence of these trends on their impact on current construction costs. The difference amount is not an indication of "high bid's" and the low bid is reasonable.

Based on our review of the lowest apparent bid the recommendation is to award the Project to Rice Lake Construction.

Feel free to contact me with any questions and comments.

Sincerely,
Sambatek, Inc.



John Karwacki, PE
Project Engineer

Enclosures; Bid Opening Tabulation, Plan Holder's List

BID OPENING TABULATION

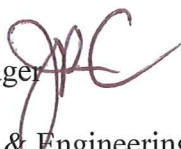

PROJECT: Windermere Booster Station
DATE: Wednesday February 13, 2019
PLACE: SPU Service Center
ENGINEER: Sambatek Inc., John Karwacki

TIME: 10:00 A.M.
OWNER: Shakopee Public Utilities

Contractor	Addendum Sent	Proposal Guarantee (5% Bond)	Total Amount of Bid
Gridor	Yes	Yes	Base Bid - \$2,350,200 Oct 1 Alternate Bid - \$25,000 Total - \$2,375,200
Ebert	Yes	Yes	Base Bid - \$2,388,111.35 Oct 1 Alternate Bid - \$15,000 Total - \$2,403,111.35
Rice Lake	Yes	Yes	Base Bid - \$2,318,200 Oct 1 Alternate Bid - \$25,000 Total - \$2,343,200
Magney	Yes	Yes	Base Bid - \$2,619,796 Oct 1 Alternate Bid - \$80,000 Total - \$2,699,796

SHAKOPEE PUBLIC UTILITIES
MEMORANDUM

8c

TO: John Crooks, Utilities Manager 
FROM: Joseph D. Adams, Planning & Engineering Director 
SUBJECT: Windermere Booster Station Site Easements
DATE: February 15, 2019

ISSUE

The booster station's Conditional Use Permit includes a requirement to grant the City of Shakopee general utilities and drainage easements around the perimeter of the site.

BACKGROUND

The Commission purchased two separate out lots from DR Horton, Outlot B in the plat of Windermere Way and Outlot D in the plat of Windermere South. The out lots are being combined into one parcel by an administrative minor subdivision.

DISCUSSION

The attached easement agreement establishes the required easement areas around the perimeter of the parcel per the City's requirements.

REQUESTED ACTION

Staff requests the Commission approve by motion and authorize the execution of the easement agreement to grant to the City of Shakopee easements around the perimeter of the booster station site.

EASEMENT

This Easement is made as of _____, 2019, by SHAKOPEE PUBLIC UTILITIES COMMISSION, a municipal utility commission organized under Minnesota law (“Owner”) in favor of the CITY OF SHAKOPEE, MINNESOTA, a Minnesota municipal corporation (the "City").

RECITALS

WHEREAS, Owner is the fee owner of the real property described on Exhibit A (the “Property”).

WHEREAS, Owner desires to grant to the City certain easements over a portion of the Property described on Exhibit B and depicted on Exhibit C (the “Easement Area”).

TERMS OF EASEMENTS

1. Grant of Easements. For good and valuable consideration, receipt of which is acknowledged by Owner, Owner grants and conveys to the City a perpetual non-exclusive easement for drainage and utility purposes over the Easement Area for public drainage and utility related purposes subject to the terms and conditions hereof.

2. Scope of Easements. The perpetual drainage and utility easements granted herein include the right of the City, its contractors, agents, and employees to enter the Easement Area at all reasonable times for the purpose of installing, constructing, reconstructing, operating, maintaining, inspecting, altering and repairing within the described Easement Area any of the following facilities and amenities: storm sewer, sanitary sewer, water facilities, ground surface drainage ways and other public City owned utilities, in the described easement area. The easements granted herein also include the right to cut, trim, or remove from the Easement Area any trees, shrubs, or other vegetation as in the City’s judgment unreasonably interfere with the easement or improvements of the City.

3. Environmental Matters. The City shall not be responsible for any costs, expenses, damages, demands, obligations, including penalties and reasonable attorney's fees, or losses resulting from any claims, actions, suites or proceedings based upon a release or threat of release of any hazardous substances, pollutants, or contaminants which may have existed on, or which relate to, the Easement area or Property prior to the date of this instrument.

4. Binding Effect. The terms and conditions of this instrument shall run with the land and be binding on the Owner, its successors and assigns.

CITY OF SHAKOPEE, MINNESOTA, a
Minnesota municipal corporation

By: _____

Name: Bill Mars

Title: Mayor

By: _____

Name: William H. Reynolds

Title: City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF SCOTT)

The foregoing instrument was acknowledged before me on _____, 2019, by Bill Mars, the Mayor, and by William H. Reynolds, the City Administrator, of the CITY OF SHAKOPEE, MINNESOTA, a Minnesota municipal corporation, on behalf of said municipal corporation.

Notary Public

EXHIBIT A

Legal Description of Property

OUTLOT B, WINDERMERE WAY, according to the recorded plat thereof, Scott County, Minnesota;

AND

OUTLOT D, WINDERMERE SOUTH, according to the recorded plat thereof, Scott County, Minnesota.

EXHIBIT B
EASEMENTS DESCRIPTION

Permanent easements for public drainage and utility purposes over, under and across the following described properties:

OUTLOT B, WINDERMERE WAY, according to the recorded plat thereof, Scott County, Minnesota;

AND

OUTLOT D, WINDERMERE SOUTH, according to the recorded plat thereof, Scott County, Minnesota.

Said permanent easements being described as follows

A permanent easement for public drainage and utility purposes over under and across the southwesterly 5.00 feet of OUTLOT B, WINDERMERE WAY, according to the recorded plat thereof, Scott County, Minnesota; together with a permanent easement for public drainage and utility purposes over under and across the westerly 5.00 feet of said OUTLOT B; together with a permanent easement for public drainage and utility purposes over under and across the northerly 5.00 feet of said OUTLOT B; together with a permanent easement for public drainage and utility purposes over under and across the westerly 15.00 feet of said OUTLOT B; together with a permanent easement for public drainage and utility purposes over under and across all that part of said OUTLOT B which lies southeasterly of a line drawn parallel with and distant 5.00 feet northwesterly from the northeasterly extension of the southeasterly line of OUTLOT D, WINDERMERE SOUTH, according to the recorded plat thereof, Scott County, Minnesota;

AND

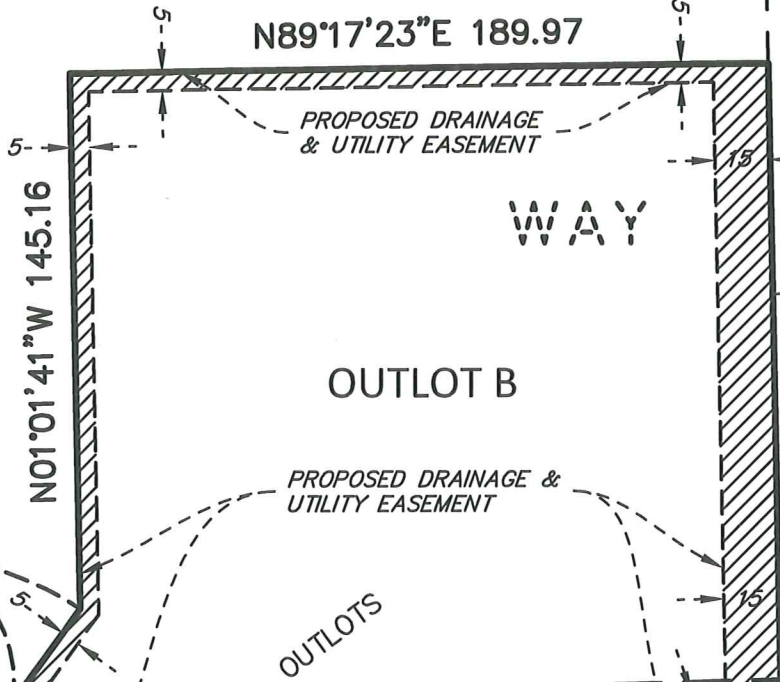
A permanent easement for public drainage and utility purposes over under and across the southwesterly 10.00 feet of OUTLOT D, WINDERMERE SOUTH, according to the recorded plat thereof, Scott County, Minnesota; together with a permanent easement for public drainage and utility purposes over under and across the northwesterly 5.00 feet of said OUTLOT D; together with a permanent easement for public drainage and utility purposes over under and across the southeasterly 5.00 feet of said OUTLOT D.

Feb 15, 2019 - 11:28am - User:danzl L:\PROJECTS\20709\CAD\Survey\20709-EXHBT-18.030.dwg

WINDERMERE

OUTLOT A

N89°17'23"E 189.97



WAY

OUTLOT B

PROPOSED DRAINAGE & UTILITY EASEMENT

N35°58'14"E 31.46
 N34°53'05"E 19.43

N01°01'41"W 145.16

S01°01'41"E 166.96

SEC 1/4, NE 1/4,
 SEC. 14, T. 115, R. 23

PROPOSED DRAINAGE & UTILITY EASEMENT

OUTLOTS
 COMBINED

OUTLOT D

OUTLOT C
 AMBERGLEN
 CIRCLE

L=63.04
 R=110.00
 $\Delta=32^{\circ}50'01''$
 CB=N38°42'10"W

WINDERMERE

S68°43'47"W 194.30
 LOT 1

SOUTH

BLOCK 2



PROPOSED DRAINAGE & UTILITY EASEMENT



NORTH



Engineering | Surveying | Planning | Environmental

SHAKOPEE PUBLIC UTILITIES
 WINDERMERE SITE 2 BOOSTER STATION
 SHAKOPEE, MN
 EASEMENT EXHIBIT C

Designed:
 Drawn: PLF
 Approved: KED
 Issued: 12/11/2018
 Rev.: B
 Date: 12/20/2018

Exhibit Number

C

Project No. 20709



9b

SHAKOPEE PUBLIC UTILITIES

“Lighting the Way – Yesterday, Today and Beyond”

February 11, 2019

TO: John Crooks, Utilities Manager 

FROM: Greg Drent, Electric Superintendent 

Subject: Pole Wrap on SPU System

As part of the 2019 Budget, we budgeted to have pole wrap installed on all the SPU-owned poles. We have approximately 3,260 power poles in our system. This project will take significant hours to complete. The pole wrap will be installed starting this winter and will be completed next fall/winter. We will be able to install the pole wrap while we are tree trimming. We may also install during the construction season as fill in work.

As we review SPU outages for the last few years, squirrel and other climbing animal related outages are constant. In 2017, we had 16 outages from climbing animals on our poles. This number increased in 2018 to 23 outages from animals climbing on the poles, getting into the primary wires, and causing an outage. There are several different squirrel guard products on the market but by far the best is keeping them off the poles altogether by using pole wrap. The pole wrap that we chose to use is Reliaguard. Reliaguard pole wrap is formed from .4" thick UV stabilized polymer. Reliaguard is designed to be a barrier to prevent animals such as squirrels, raccoons and other climbing animals from reaching energized structures. The pole wrap covers 3 feet from bottom to top so there is no way an animal can climb or jump the distance to get around the wrap.

We cannot eliminate animals on our poles completely as they can still get on the wires from trees and house services but the pole wrap will significantly decrease animal activity on the power poles. If we cut our squirrel-related outages in half, I think this is a huge success. I hope the results are even better than that but I cannot think of another way to cut outages by doing one project. We are excited to get this project under way and see the results of fewer squirrel-caused outages on our system.

RESOLUTION # 1238
RESOLUTION REGULATING WAGE
AND CONTRACT TERMS

BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION,
in meeting duly assembled on February 19, 2019 that the Shakopee Public Utilities
Commission does hereby affirm wage and contract terms offered and accepted
in accordance with the Appendix "A" to this Resolution.

BE IT FURTHER RESOLVED that said wage and contract terms are to
become effective from and after January 1, 2019.

BE IT FURTHER RESOLVED that the salary range and wage will be adjusted
annually on January 1, as determined by the Shakopee Public Utilities Commission.

BE IT FURTHER RESOLVED, that all things necessary to carry out the
terms and purpose of this Resolution are hereby authorized and performed.

Passed in regular session of the Shakopee Public Utilities Commission this
19th day of February, 2019.

Commission President: Aaron Weyer

ATTEST:

Commission Secretary: John R. Crooks





10b

SHAKOPEE PUBLIC UTILITIES

“Lighting the Way – Yesterday, Today and Beyond”

February 13, 2019

TO: John R. Crooks, Utilities Manager 

FROM: Lon R. Schemel, Water Superintendent 

SUBJECT: Meter Technician Job Description Change

The Meter Technician job description was last edited on August 4th, 2008. It does not reflect the current duties required of the position. This position is currently vacant and the Water Department plans on filling this position April 1st of this year. Staff requests that the attached job description be accepted by the Commission before advertising the position.

- Change the duties to those of the new job description.
- There are no changes to the wage range of this position.

SHAKOPEE PUBLIC UTILITIES COMMISSION

JOB CLASSIFICATION: Water Meter Technician

REPORTS TO: Senior Water Operator

SUPERVISES: N/A

JOB PURPOSE: Perform skilled bench and field work installing, repairing, testing and replacing water meters; and performs related duties as assigned.

Works under the guidance of assigned personnel.

ESSENTIAL JOB FUNCTIONS

1. Repairs, maintains, tests, and renovates water meters that are installed in residential and commercial properties. Maintains backflow prevention database and conducts onsite backflow surveys.
2. Complies with all SPU safety programs and policies.
3. Removes and installs water meters of various size and usages.
4. Repairs the plumbing between the water meter valves.
5. Turns on, turns off and flushes new and existing water meter services.
6. Explains water meter functions, installations, plumbing codes, and water billing inquiries to SPU customers.
7. Completes necessary paperwork and/or electronic forms related to work assignments and shop inventory. Assists with storing and monitoring the use of meter supplies and equipment.
8. Uses locators and necessary tools and equipment to locate a water main and services, expose and operate valves and stops; and checks leaks at the property site.
9. Assists in the maintenance of tools and equipment used for meter maintenance, repair, and installation.
10. Follows all safety regulations related to shop and fieldwork activities.
11. Ensures a safe working environment by understanding the standards, procedures, with proper and safe use of tools and equipment used in the installation and maintenance of water meter reading systems, and meter testing methods. Demonstrates an ability to apply this understanding to the work.
12. Maintain technical knowledge by training in the varied water meter technology operations and maintenance functions.

13. Contributes to the team effort with effective teamwork by being self-motivated, accepting of assignments and completing assignments within agreed upon deadlines and the ability to effectively listen, speak, write and interact within a workgroup.
14. Promotes customer relations by interacting courteously with SPU customers and responds to requests for information. Demonstrates a commitment to established customer service standards.

JOB QUALIFICATIONS:

High School Diploma or G.E.D.

One year of basic mechanical and/or plumbing experience.

Must possess and retain valid Minnesota driver's license and Class B Commercial driver's license or be able to obtain CDL within six months of employment.

Possess or ability to obtain RPZ tester certification.

PHYSICAL REQUIREMENTS:

Works outdoors with great physical exertion and often working in awkward positions on uneven surfaces. Lifts materials and equipment weighing up to 50 pounds. Works around noisy equipment and visually inspects work. May work in wet or dry areas with fumes and odors for periods of time.

Works indoors in a climate-controlled laboratory setting, handling and grasping testing apparatus.

Use of computer to maintain water meter testing logs.

Occasionally works at night, on weekends and holidays for repairs or serious problems. Interacts with management via written and verbal communication, including two-way radio.

SHAKOPEE PUBLIC UTILITIES COMMISSION

JOB CLASSIFICATION: Water Meter Technician

REPORTS TO: Senior Water Operator and Department Head

SUPERVISES: N/A

JOB PURPOSE: Perform skilled bench and field work installing, repairing, testing and replacing water meters; and performs related duties as assigned.

Works under moderate supervision of a supervisor or Dept. Head.

% of Time ESSENTIAL JOB RESULTS

- 30% 1. Repairs, maintains, tests, and renovates water meters that are installed in residential and commercial properties. Maintains backflow prevention database.
- 20% 2. Removes and installs water meters for residential and commercial services.
- 10% 3. Repairs the plumbing between valves near water meters.
- 8% 4. Turns on, turns off and flushes new and existing water meter services.
- 5% 5. Explains water meter functions, installations, plumbing codes and water billing inquiries to the general public.
- 5% 6. Completes necessary paper work and/or electronic forms related to work assignments and shop inventory. Assists with storing and monitoring the use of meter supplies and equipment.
- 5% 7. Uses locators and necessary tools and equipment to locate, expose and operate valves and stops; and checks leaks at the property site.
- 3% 8. Assists in the maintenance of tools and equipment used for meter maintenance, repair and installation.
- 3% 9. Follows all safety regulations related to shop and field work activities.
- 3% 10. Ensures a safe working environment by understanding the standards, procedures, with proper and safe use of tools and equipment used in the installation and maintenance of water meter reading systems, and meter testing methods. Demonstrates an ability to apply this understanding to the work.
- 2% 11. Maintain technical knowledge by being trained in the varied water meter technology operations and maintenance functions.
- 2% 12. Maintain technical knowledge by being trained in the varied water meter technology operations and maintenance functions.

- 2% 13. Contributes to team effort with effective team work by being self motivated, accepting of assignments and completing assignments within agreed upon deadlines and ability to effectively listen, speak, write and interact within a work group.
- 2% 14. Promotes customer relation by interacting courteously with the public and respond to requests for information. Demonstrates a commitment to established customer service standards.

JOB QUALIFICATIONS:

Minimum four-year High School Education

One year of basic mechanical and/or plumbing experience.

Must have a valid Minnesota Class D driver's license with no suspensions for driving related offenses or revocations within the two-year period prior to date of appointment.

PHYSICAL REQUIREMENTS:


Works outdoors with great physical exertion and often working in awkward positions on uneven surfaces. Lifts materials and equipment weighing up to 50 pounds. Works around noisy equipment and visually inspects work. May work in wet or dry areas with fumes and odors for periods of time.


Works indoors in a climate-controlled laboratory setting, handling and grasping testing apparatus.

Use of computer to maintain water meter testing logs.

Occasionally works at night, on weekends and holidays for repairs or serious problems. Interacts with supervisor via written and verbal communication, including two-way radio.

February 14, 2019

TO: John Crooks, Utilities Manager 

CC: Joe Adams
Greg Drent
Lon Schemel
Sharon Walsh
Sherri Anderson
Tyra Kratochvil 

FROM: Renee Schmid, Director of Finance and Administration

SUBJECT: Preliminary Unaudited Financial Results for December, 2018 & 2017 – 2018 Comparative Financial Results

The following financial statements are attached for your review and approval.

- 1) Month to Date Financial Results – December, 2018
- 2) Year to Date Financial Results – December, 2018
- 3) 2017 – 2018 Comparative Financial Results

Key items to note:

Month to Date Financial Results – December, 2018

- Total Utility Operating Revenues for the month of December totaled \$4.0 million and were favorable to budget by \$384k or 10.4%. Electric revenues were favorable to budget by \$333k or 9.8% and water revenues were also favorable to budget by \$51k or 19.7%.
- Total operating expenses were \$4.1 million and were favorable to budget by \$136k or 3.2%. Total purchased power costs in December totaled \$2.7 million and were \$349k or 11.4% favorable to budget for the month.
- Total Operating Expense for electric totaled \$3.9 million including purchased power was unfavorable to budget by \$49k or 1.3% due to higher than planned expenses in energy conservation of \$525k and operating and maintenance expenses of \$135k primarily due to completion of the LED street light project at a cost of \$610k, and partially offset by lower than plan purchased power costs of \$349k, lower than plan depreciation expense of \$121k reflecting yearend adjustments for capitalized assets, and lower than plan expenses in customer service of \$74k due to recovery of \$61k in costs for billing services for sewer and storm drainage, and lower than plan administrative and general expenses of \$66k.
- Total Operating Expense for Water totaled \$205k and was favorable to budget by \$185k or 47.5% due to lower than plan depreciation expense of \$136k reflecting yearend adjustments for capitalized assets, lower than plan operation and maintenance expense of \$7k, and lower than plan expenses in customer service of

- \$22k due to recovery of \$20k in costs for billing services for sewer and storm drainage, and lower than plan administrative and general expenses of \$21k.
- Total Utility Operating Income was a loss of \$24k and was \$520k favorable to plan due to higher than planned operating revenues of \$384k and lower than plan operating expenses of \$136k.
 - Total Utility Non-Operating income was \$339k and was favorable to budget by \$293k due to higher than plan rental and miscellaneous income of \$194k, and investment income of \$102k. December included a one-time \$240k payment for transformation services per an interconnection agreement with MMPA for Shakopee Energy Park.
 - Capital Contributions for December totaled \$2.6 million and were favorable to budget by \$2.5 million due to higher than plan capital contributions of \$2.6 million for developer constructed water main projects of \$2.4 million, and other paid in capital project contributions of \$0.2 million in electric, that were partially offset by lower than plan Water Connection and Trunk Water fees of \$0.1 million.
 - Municipality contributions to the City of Shakopee totaled \$385k and were higher than plan by \$175k due to higher sales in electric and water year over year. December includes the year end true up for payments due to the city for free service and city transfer fees.
 - Change in Net Position was \$2.6 million and was favorable to budget by \$3.1 million primarily due to higher than plan capital contributions of \$2.5 million, higher than plan operating income of \$0.5 million higher, higher than plan non-operating income of \$0.3 million, and were partially offset by higher than plan municipal contributions to the City of Shakopee of \$0.2 million.

Year to Date Financial Results - 2018

- Total Utility Operating Revenue year to date December was \$56.0 million and is favorable to budget by \$2.1 million or 3.9%. Electric revenues were favorable to budget by \$1.9 million or 3.9% and water revenues were favorable to budget by \$0.2 million or 4.1%. The higher than plan revenues of \$1.9 million in electric were driven by higher than plan energy sales in all revenue groups of \$1.7 million, and higher than plan power cost adjustment income of \$0.1 million also driven by higher sales. Total kWh sales in 2018 were 454.2 million kwh compared to a plan of 432.4 million kwh or 5.0% higher than plan. Water sales volume in all revenue groups also exceeded planned projections for the year which is driving the favorable revenue variance for the year. Total water sales gallons for 2018 were 1.658 billion gallons which exceeded planned sales volume of 1.594 billion gallons or 4.0% higher than plan.
- Total Utility Operating Expenses year to date December were \$48.2 million and were favorable to budget by \$0.5 million or 1.1%. Electric Operating expense totaled \$43.9 million and was favorable to plan by \$0.1 million or 0.2%. Water operating expense totaled \$4.3 million and was also favorable to plan by \$0.4 million or 9.7%.
- Purchased power costs totaled \$35.6 million and were higher than plan by \$0.8 million or 2.4% driven by higher sales resulting in increased kwh purchases and slightly lower than plan purchased power costs per kWh. The 2018 purchased power cost/kwh was 7.577 cents versus a planned cost/kwh of 7.587 cents or 0.13% lower than plan. Operation and maintenance expenses were higher than plan in electric and water by \$0.1 million.

- Offsetting the higher than plan expenses in purchased power and operation and maintenance, administrative and general expenses were favorable to plan by \$1.1 million driven by lower than planned expenditures in outside services and office supplies/computer software and hardware maintenance of \$0.3 million due to delay in implementation of planned spending for legal fees for territory acquisition and other legal fees, project costs for the security assessment and disaster recovery project, and lower than planned spending on other consulting expense, lower than planned expenses in meter reading and customer service of \$0.2 million due to billing expense recovery of \$0.1 and other miscellaneous expenses, lower than plan employee benefits expense of \$0.5 million due to lower than plan PERA pension fund liability costs of \$0.3 million, medical insurance expense of \$0.1 million, and other employee benefit costs of \$0.1 million, and other miscellaneous expenses \$0.1 million.
- Depreciation expense was lower than plan by \$0.3 million due to timing of the capitalization of the Riverview Booster Station originally planned as a closed project in 2017 with full depreciation in 2018, change in timing for the Windermere Well and Booster station from 2018 to 2019, and timing of other water and electric projects.
- Total Utility Operating Income was \$7.8 million and was favorable to budget by \$2.6 million driven primarily by higher than plan operating revenues of \$2.1 million and lower than plan operating expenses of \$0.5 million.
- Total Utility Non-Operating Income was \$1.2 million and was favorable to budget by \$0.7 million due to higher than planned rental and miscellaneous income of \$0.3 million due to a one-time payment for transformation services of \$0.2 million from MMPA per the Shakopee Energy Park Interconnection Agreement, higher than plan investment income of \$0.4 million, and gains on the disposition of property of \$0.1 million.
- YTD Capital Contributions were \$6.6 million and were favorable to budget by \$4.6 million primarily due to higher than plan collection of water connection fees of \$1.7 million, and capital contributions of \$3.1 million for electric and water projects, that was partially offset by lower than plan trunk water fees of \$0.2 million. Connection fees included several large projects related to new commercial development in Shakopee during the year. Capital contributions include \$2.4 million in donated water main developer projects and \$0.7 million in paid in capital for electric projects.
- YTD Municipal Contributions to the City of Shakopee were \$2.6 million and are unfavorable to budget by \$84k or 3.3% driven by higher than plan electric and water sales.
- YTD Change in Net Position is \$12.9 million and is favorable to budget by \$7.9 million primarily due to higher than planned operating income of \$2.6 million, higher than plan miscellaneous and investment income of \$0.7 million, and higher than planned capital contributions of \$4.6 million driven by capital contributions and water connection fees.

2017 – 2018 Comparative Financial Results

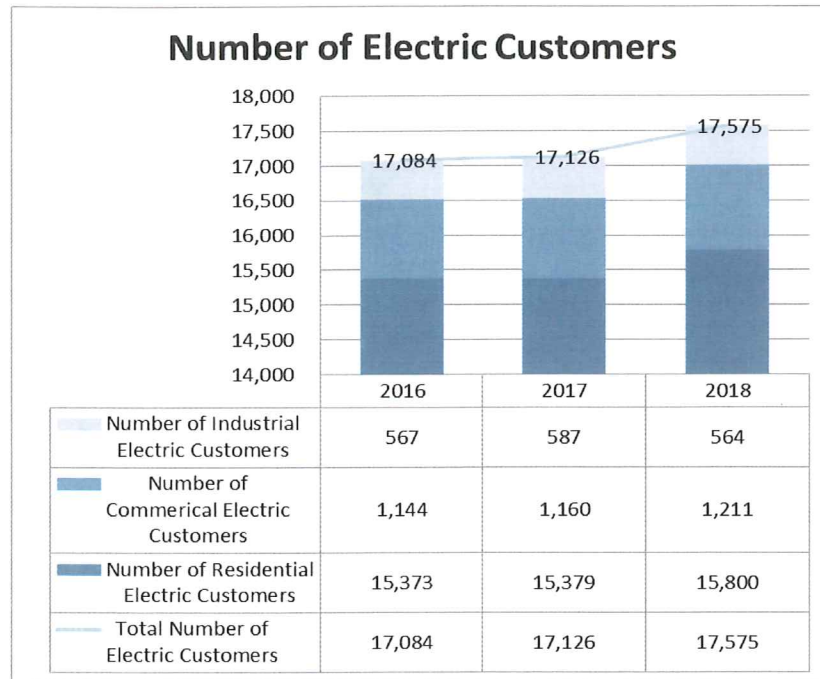
- Total Utility Operating Revenue was \$56.0 million in 2018 compared to \$52.0 million in 2017, an increase of \$3.9 million or 7.5%. Electric revenues increased from \$46.8 million in 2017 to \$50.4 million in 2018 by \$3.5 million or 7.5% reflecting an increase in total kWh sales volume of 5.8%, and an increase in power cost adjustment revenue driven by increased power costs due to higher

sales and increased costs of purchased power per kWh of 3.3%. Water revenues also increased from \$5.2 million in 2017 to \$5.6 million in 2018 by \$0.4 million or 8.2% driven by a 10% rate increase in water commodity usage rates and partially offset by a decrease in water gallons sold of 0.6%.

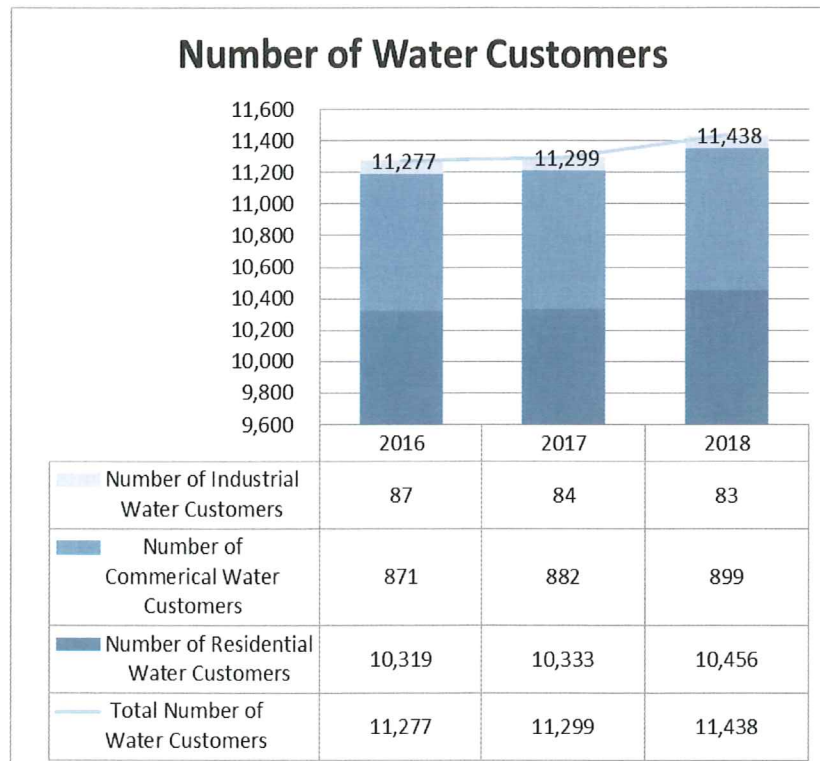
- Total Utility Operating Expenses were \$48.2 million in 2018 compared to \$45.3 million in 2017, an increase of \$2.9 million or 6.5% driven primarily by higher purchased power costs of \$2.4 million due to higher sales and increased costs of purchased power per kWh of 3.3%, higher electric operation and maintenance expenses of \$0.3 with almost half of the increase due to the LED streetlight project, higher water and operation and maintenance expense of \$0.1 million due to staff additions, lower administrative and general expenses of \$0.2 million due to a reduction in outside services expense and insurance expenses, and higher depreciation expense of \$0.3 million reflecting new infrastructure investments of \$2.0 million in electric and \$5.4 million in water. Major electric infrastructure investments include numerous underground and feeder extension projects of \$1.0 million, Dean Lake substation improvements of \$0.4 million, and transformers of \$0.3 million. Major water infrastructure investments include the addition of the Riverview Booster station of \$1.7 million, developer constructed water main of \$2.4 million, and the 2018 water main reconstruction project of \$0.5 million.
- Total Utility Operating Income was \$7.8 million in 2018 as compared to \$6.8 million in 2017, an increase of \$1.0 million or 14.5% driven by higher operating revenues of \$3.9 million and offset by increased operating expense of \$2.9 million.
- Total Utility Non-Operating Income was \$1.2 million in 2018 compared to \$0.6 million in 2017, an increase of \$0.6 million. The increase in 2018 from 2017 included higher investment income of \$0.4 million, lower long term debt interest expense of \$0.3 million offset by higher amortization of debt issuance costs of \$0.2 million, both related to the defeasance of our last remaining bond issue on 2/1/2018, and gains on the disposition of property due to the retirement of assets of \$0.1 million.
- Capital Contributions totaled \$6.6 million in 2018 as compared to \$5.6 million in 2017, an increase of \$1.0 million. The increase is attributable to increased capital contributions of \$0.6 million, an increase in the collection of water connection fees of \$0.3, and an increase in the collection of trunk water and meter fee of \$0.1 million.
- The transfer to the City of Shakopee was \$2.6 million in 2018 as compared to \$2.4 million for 2017, an increase of \$0.2 million or 7.8% driven by revenue increases year to year.
- Change in Net Position is \$12.9 million in 2018 compared to \$10.6 million in 2017, an increase of \$2.3 million year over year. Electric Net Position in 2018 increased \$0.5 million from 2017 and Water Net Position in 2018 increased \$1.8 million from 2017. This increase in net position is primarily due to increased operating income, increased non-operating revenues, increased capital contributions, and partially offset by increased transfer expense to the City of Shakopee in 2018 as compared to 2017.

Account Growth

- The number of electric customers billed in December, 2018 totaled 17,575 as compared to 17,126 as of December 2017, reflecting an increase of 449 customers or 2.62% for the year 2018.

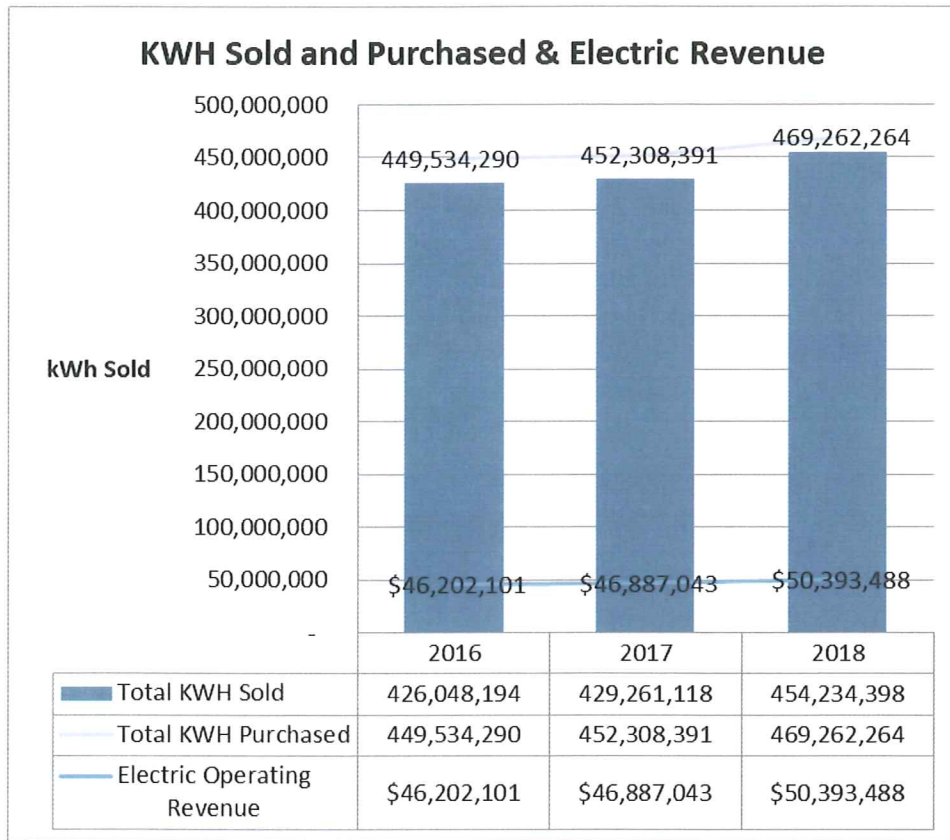


- The number of water customers billed in December, 2018 was 11,438 as compared to 11,299 as of December 2017, reflecting an increase of 139 customers or 1.23% for the year 2018.



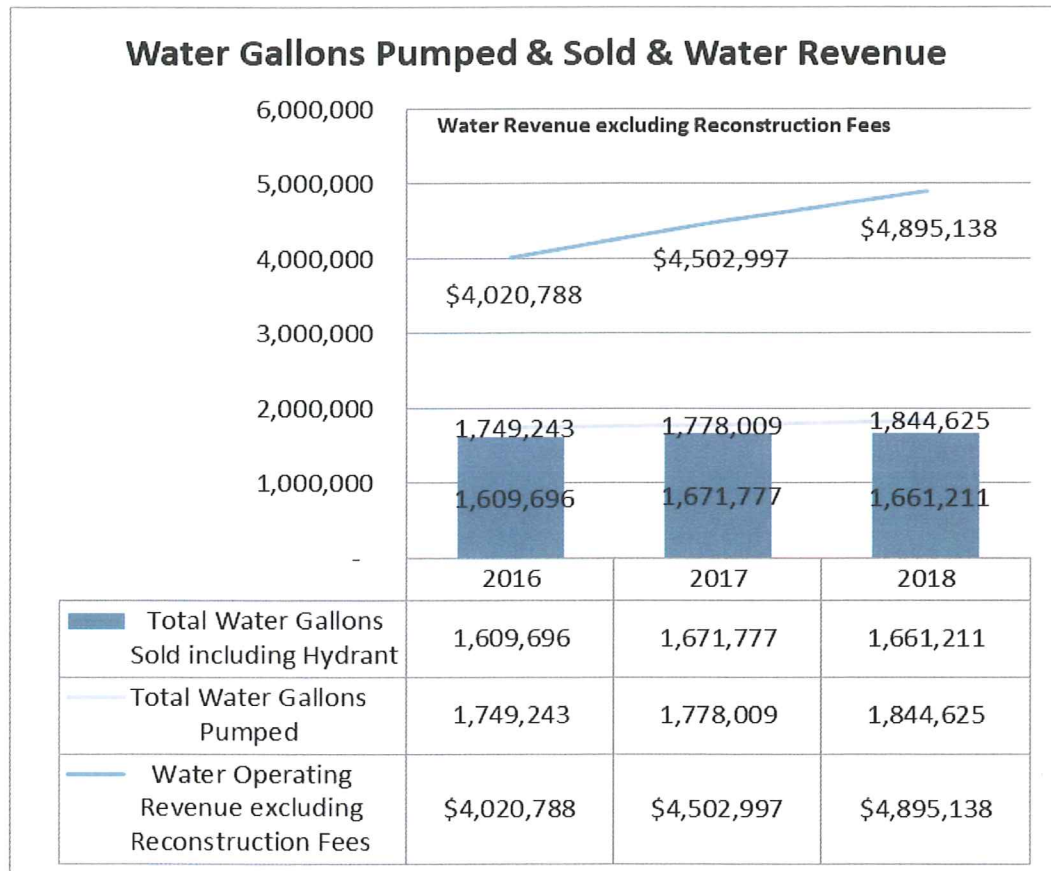
KWH Purchased and Sold

- Total kWh purchased in 2018 was 469,262,264 as compared to 452,308,391 in 2017, reflecting an increase of 3.8% year over year. Total KWH sold in 2018 was 454,234,398 as compared to 429,261,118 in 2017, reflecting an increase of 5.8% for the year 2018. Electric Operating revenues totaled \$50.4 million in 2018 compared to \$46.8 million in 2017, an increase of \$3.5 million or 7.5% driven by higher kWh sales, and higher power cost adjustment revenue due to increased sales. Power costs per kWh purchased increased from 7.336 cents per kWh in 2017 to 7.577 cents per kWh in 2018, an increase of 3.29%.
- Unaccounted for kWh, commonly referred to as “line loss”, which is the difference between purchased and sold kWh with adjustments for free or other known usage was at 2.45% in 2018 as compared to 4.38% in 2017. This metric is used in tracking the performance of our distribution system.



Water Gallons Pumped, Sold and Water Revenue

- Water Gallons pumped in 2018 totaled 1.844 billion gallons as compared to 1.778 billion gallons in 2017, reflecting an increase of 3.7% for the year 2018 from 2017. Water Gallons sold including hydrant sales in 2018 totaled 1.661 billion gallons as compared to 1.671 billion in 2017, reflecting a decrease of 0.6% for the year 2018 from 2017. Water operating revenues excluding Reconstruction Fees totaled \$4.9 million in 2018 as compared to \$4.5 million in 2017, an increase of 8.7%. Commodity rates increased by 10% in 2018. The water rate structure aligns with conservation based rate structure as required by the DNR.
- Unaccounted for water gallons which is the difference between water gallons pumped and billed with adjustments for free or other known usage was at 9.4% in 2018 as compared to 6.0% in 2017. This metric is used in tracking the performance of our distribution system.



SHAKOPEE PUBLIC UTILITIES
MONTH TO DATE FINANCIAL RESULTS
DECEMBER 2018



SHAKOPEE PUBLIC UTILITIES
“Lighting the Way – Yesterday, Today and Beyond”

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Month to Date Actual - December 2018			Month to Date Budget - December 2018			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	MTD Actual v. Budget B/(W) \$ %	MTD Actual v. Budget B/(W) \$ %	MTD Actual v. Budget B/(W) \$ %			
OPERATING REVENUES	\$ 3,752,685	307,559	4,060,244	3,419,196	257,007	3,676,202	333,489	9.8%	50,552	19.7%	384,041	10.4%
OPERATING EXPENSES												
Operation, Customer and Administrative	3,800,268	211,723	4,011,990	3,630,355	261,294	3,891,649	(169,913)	-4.7%	49,571	19.0%	(120,342)	-3.1%
Depreciation	78,577	(6,785)	71,792	199,558	128,912	328,470	120,981	60.6%	135,697	105.3%	256,678	78.1%
Amortization of Plant Acquisition	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Total Operating Expenses	3,878,845	204,938	4,083,782	3,829,912	390,206	4,220,119	(48,932)	-1.3%	185,268	47.5%	136,336	3.2%
Operating Income	(126,159)	102,621	(23,539)	(410,717)	(133,199)	(543,916)	284,557	69.3%	235,820	177.0%	520,378	95.7%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	206,112	5,169	211,281	15,783	1,390	17,173	190,328	1205.9%	3,779	271.9%	194,108	1130.3%
Interdepartment Rent from Water	7,500	-	7,500	7,500	-	7,500	-	0.0%	-	-	-	0.0%
Investment Income	106,793	17,442	124,236	16,940	5,511	22,451	89,854	530.4%	11,931	216.5%	101,785	453.4%
Interest Expense	(3,240)	(99)	(3,338)	(1,805)	(29)	(1,834)	(1,435)	-79.5%	(70)	-243.7%	(1,504)	-82.0%
Amortization of Debt Issuance Costs and Loss on Refunding	-	-	-	-	-	-	-	0.0%	-	-	-	0.0%
Gain/(Loss) on the Disposition of Property	(398)	(724)	(1,121)	-	-	-	(398)	-	(724)	-	(1,121)	0.0%
Total Non-Operating Revenue (Expense)	316,768	21,789	338,557	38,418	6,872	45,290	278,350	724.5%	14,917	217.1%	293,267	647.5%
Income Before Contributions and Transfers	190,608	124,410	315,019	(372,299)	(126,327)	(498,626)	562,907	151.2%	250,737	-198.5%	813,644	-163.2%
CAPITAL CONTRIBUTIONS	219,149	2,410,910	2,630,060	-	166,373	166,373	219,149	-	2,244,537	1349.1%	2,463,686	1480.8%
TRANSFER TO MUNICIPALITY	(211,499)	(173,327)	(384,826)	(122,048)	(87,715)	(209,763)	(89,452)	-73.3%	(85,612)	-97.6%	(175,064)	-83.5%
CHANGE IN NET POSITION	\$ 198,258	2,361,993	2,560,252	(494,347)	(47,669)	(542,015)	692,605	140.1%	2,409,662	5055.0%	3,102,267	572.4%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE

	MTD Actual		MTD Budget		MTD Actual v. Budget	
	December 2018		December 2018		Better/(Worse)	
	\$		\$		%	
OPERATING REVENUES						
Sales of Electricity						
Residential	\$ 1,313,217		1,218,115		95,102	7.8%
Commercial and Industrial	2,425,910		2,189,619		236,291	10.8%
Uncollectible accounts	(71,802)		(73,499)		1,696	2.3%
Total Sales of Electricity	<u>3,667,324</u>		<u>3,334,235</u>		<u>333,090</u>	<u>10.0%</u>
Forfeited Discounts	12,804		20,453		(7,649)	-37.4%
Free service to the City of Shakopee	16,954		13,853		3,100	22.4%
Conservation program	55,603		50,655		4,949	9.8%
Total Operating Revenues	<u>\$ 3,752,685</u>		<u>3,419,196</u>		<u>333,489</u>	<u>9.8%</u>
OPERATING EXPENSES						
Operations and Maintenance						
Purchased power	2,716,483		3,065,106		348,623	11.4%
Distribution operation expenses	32,975		37,222		4,247	11.4%
Distribution system maintenance	199,396		69,157		(130,239)	-188.3%
Maintenance of general plant	30,237		21,340		(8,897)	-41.7%
Total Operation and Maintenance	<u>2,979,091</u>		<u>3,192,825</u>		<u>213,734</u>	<u>6.7%</u>
Customer Accounts						
Meter Reading	8,679		9,133		454	5.0%
Customer records and collection	(23,347)		50,754		74,101	146.0%
Energy conservation	583,653		59,003		(524,650)	-889.2%
Total Customer Accounts	<u>568,985</u>		<u>118,890</u>		<u>(450,095)</u>	<u>-378.6%</u>
Administrative and General						
Administrative and general salaries	46,050		51,183		5,133	10.0%
Office supplies and expense	7,299		15,839		8,541	53.9%
Outside services employed	-		26,316		26,316	100.0%
Insurance	11,225		12,164		940	7.7%
Employee Benefits	158,839		175,315		16,476	9.4%
Miscellaneous general	28,779		37,822		9,043	23.9%
Total Administrative and General	<u>252,192</u>		<u>318,640</u>		<u>66,448</u>	<u>20.9%</u>
Total Operation, Customer, & Admin Expenses	<u>3,800,268</u>		<u>3,630,355</u>		<u>(169,913)</u>	<u>-4.7%</u>
Depreciation	78,577		199,558		120,981	60.6%
Amortization of plant acquisition	-		-		-	0.0%
Total Operating Expenses	<u>\$ 3,878,845</u>		<u>3,829,912</u>		<u>(48,932)</u>	<u>-1.3%</u>
OPERATING INCOME	<u>\$ (126,159)</u>		<u>(410,717)</u>		<u>284,557</u>	<u>69.3%</u>

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	MTD Actual		MTD Budget		MTD Actual v. Budget	
	December 2018		December 2018		Better/(Worse)	
	\$		\$		%	
OPERATING REVENUES						
Sales of Water	\$ 304,956		266,729		38,227	14.3%
Forfeited Discounts	1,109		1,865		(756)	-40.5%
Uncollectible accounts	1,494		(11,587)		13,081	112.9%
Total Operating Revenues	<u>307,559</u>		<u>257,007</u>		<u>50,552</u>	<u>19.7%</u>
OPERATING EXPENSES						
Operations and Maintenance						
Pumping and distribution operation	36,874		42,942		6,068	14.1%
Pumping and distribution maintenance	19,619		28,572		8,953	31.3%
Power for pumping	34,357		23,949		(10,407)	-43.5%
Maintenance of general plant	3,100		5,221		2,121	40.6%
Total Operation and Maintenance	<u>93,950</u>		<u>100,684</u>		<u>6,734</u>	<u>6.7%</u>
Customer Accounts						
Meter Reading	4,628		5,160		532	10.3%
Customer records and collection	(8,239)		13,203		21,442	162.4%
Energy conservation	-		-		-	-
Total Customer Accounts	<u>(3,611)</u>		<u>18,363</u>		<u>21,974</u>	<u>119.7%</u>
Administrative and General						
Administrative and general salaries	30,401		32,157		1,756	5.5%
Office supplies and expense	2,877		7,174		4,297	59.9%
Outside services employed	200		13,483		13,283	98.5%
Insurance	3,742		4,055		313	7.7%
Employee Benefits	70,748		63,870		(6,877)	-10.8%
Miscellaneous general	13,417		21,508		8,091	37.6%
Total Administrative and General	<u>121,384</u>		<u>142,247</u>		<u>20,863</u>	<u>14.7%</u>
Total Operation, Customer, & Admin Expenses	<u>211,723</u>		<u>261,294</u>		<u>49,571</u>	<u>19.0%</u>
Depreciation	(6,785)		128,912		135,697	105.3%
Amortization of plant acquisition	-		-		-	-
Total Operating Expenses	<u>204,938</u>		<u>390,206</u>		<u>185,268</u>	<u>47.5%</u>
OPERATING INCOME	<u>\$ 102,621</u>		<u>(133,199)</u>		<u>235,820</u>	<u>177.0%</u>

SHAKOPEE PUBLIC UTILITIES
YEAR TO DATE FINANCIAL RESULTS
DECEMBER 2018



SHAKOPEE PUBLIC UTILITIES
“Lighting the Way – Yesterday, Today and Beyond”

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Year to Date Actual - December 2018			Year to Date Budget - December 2018			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	YTD Actual v. Budget B/(W) \$ %	YTD Actual v. Budget B/(W) \$ %	YTD Actual v. Budget B/(W) \$ %			
OPERATING REVENUES	\$ 50,393,488	5,608,128	56,001,616	48,500,437	5,389,437	53,889,875	1,893,051 3.9%	218,690 4.1%	2,111,741 3.9%			
OPERATING EXPENSES												
Operation, Customer and Administrative	41,697,429	2,846,004	44,543,434	41,622,300	3,173,190	44,795,490	(75,129) -0.2%	327,186 10.3%	252,056 0.6%			
Depreciation	2,237,527	1,415,037	3,652,564	2,394,692	1,546,949	3,941,641	157,166 6.6%	131,912 8.5%	289,077 7.3%			
Amortization of Plant Acquisition	-	-	-	-	-	-	- 0.0%	- -	- 0.0%			
Total Operating Expenses	43,934,956	4,261,042	48,195,998	44,016,992	4,720,140	48,737,132	82,036 0.2%	459,098 9.7%	541,134 1.1%			
Operating Income	6,458,532	1,347,086	7,805,618	4,483,445	669,298	5,152,743	1,975,087 44.1%	677,788 101.3%	2,652,875 51.5%			
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	430,798	184,856	615,654	189,400	165,641	355,041	241,398 127.5%	19,216 11.6%	260,613 73.4%			
Interdepartment Rent from Water	90,000	-	90,000	90,000	-	90,000	- 0.0%	- -	- 0.0%			
Investment Income	449,019	219,864	668,883	203,276	66,133	269,409	245,743 120.9%	153,731 232.5%	399,474 148.3%			
Interest Expense	(65,609)	(989)	(66,599)	(49,024)	(344)	(49,368)	(16,585) -33.8%	(645) -187.5%	(17,230) -34.9%			
Amortization of Debt Issuance Costs and Loss on Refunding	(216,694)	-	(216,694)	(216,694)	-	(216,694)	- 0.0%	- 0.0%	- 0.0%			
Gain/(Loss) on the Disposition of Property	59,601	5,536	65,138	-	-	-	59,601 0.0%	5,536 -	65,138 -			
Total Non-Operating Revenue (Expense)	747,115	409,267	1,156,382	216,958	231,429	448,387	530,157 244.4%	177,837 76.8%	707,995 157.9%			
Income Before Contributions and Transfers	7,205,648	1,756,353	8,962,000	4,700,403	900,727	5,601,130	2,505,244 53.3%	855,626 95.0%	3,360,870 60.0%			
CAPITAL CONTRIBUTIONS	730,662	5,868,217	6,598,879	-	1,996,480	1,996,480	730,662 -	3,871,736 193.9%	4,602,399 230.5%			
MUNICIPAL CONTRIBUTION	(1,509,222)	(1,091,814)	(2,601,036)	(1,464,573)	(1,052,580)	(2,517,153)	(44,650) -3.0%	(39,233) -3.7%	(83,883) -3.3%			
CHANGE IN NET POSITION	\$ 6,427,087	6,532,756	12,959,843	3,235,830	1,844,627	5,080,458	3,191,257 98.6%	4,688,128 254.2%	7,879,385 155.1%			

**SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE**

	YTD Actual	YTD Budget	YTD Actual v. Budget	
	December 2018	December 2018	Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 17,891,566	16,779,411	1,112,156	6.6%
Commercial and Industrial	31,414,833	30,674,815	740,018	2.4%
Uncollectible accounts	(71,802)	(73,499)	1,696	2.3%
Total Sales of Electricity	49,234,598	47,380,727	1,853,870	3.9%
Forfeited Discounts	252,538	245,435	7,103	2.9%
Free service to the City of Shakopee	170,988	166,242	4,746	2.9%
Conservation program	735,365	708,033	27,332	3.9%
Total Operating Revenues	50,393,488	48,500,437	1,893,051	3.9%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	35,555,031	34,726,317	(828,714)	-2.4%
Distribution operation expenses	417,657	446,668	29,012	6.5%
Distribution system maintenance	942,150	829,879	(112,271)	-13.5%
Maintenance of general plant	258,740	256,084	(2,656)	-1.0%
Total Operation and Maintenance	37,173,577	36,258,948	(914,629)	-2.5%
Customer Accounts				
Meter Reading	115,910	109,594	(6,315)	-5.8%
Customer records and collection	467,845	609,049	141,204	23.2%
Energy conservation	735,365	708,033	(27,332)	-3.9%
Total Customer Accounts	1,319,119	1,426,676	107,557	7.5%
Administrative and General				
Administrative and general salaries	610,512	614,200	3,688	0.6%
Office supplies and expense	139,740	190,070	50,330	26.5%
Outside services employed	186,004	315,790	129,785	41.1%
Insurance	129,290	145,974	16,684	11.4%
Employee Benefits	1,830,931	2,216,781	385,850	17.4%
Miscellaneous general	308,256	453,861	145,605	32.1%
Total Administrative and General	3,204,732	3,936,675	731,943	18.6%
Total Operation, Customer, & Admin Expenses	41,697,429	41,622,300	(75,129)	-0.2%
Depreciation	2,237,527	2,394,692	157,166	6.6%
Amortization of plant acquisition	-	-	-	0.0%
Total Operating Expenses	\$ 43,934,956	44,016,992	82,036	0.2%
OPERATING INCOME	\$ 6,458,532	4,483,445	1,975,087	44.1%

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE

	YTD Actual	YTD Budget	YTD Actual v. Budget	
	December 2018	December 2018	Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 5,568,252	5,378,648	189,605	3.5%
Forfeited Discounts	38,380	22,377	16,003	71.5%
Uncollectible accounts	1,496	(11,587)	13,083	112.9%
Total Operating Revenues	<u>5,608,128</u>	<u>5,389,437</u>	<u>218,690</u>	<u>4.1%</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	474,523	515,300	40,777	7.9%
Pumping and distribution maintenance	427,410	342,861	(84,548)	-24.7%
Power for pumping	300,400	287,388	(13,012)	-4.5%
Maintenance of general plant	37,283	62,657	25,374	40.5%
Total Operation and Maintenance	<u>1,239,615</u>	<u>1,208,206</u>	<u>(31,410)</u>	<u>-2.6%</u>
Customer Accounts				
Meter Reading	61,848	61,919	70	0.1%
Customer records and collection	129,395	158,437	29,042	18.3%
Energy conservation	-	-	-	-
Total Customer Accounts	<u>191,243</u>	<u>220,355</u>	<u>29,112</u>	<u>13.2%</u>
Administrative and General				
Administrative and general salaries	397,716	385,878	(11,838)	-3.1%
Office supplies and expense	47,746	86,090	38,344	44.5%
Outside services employed	72,615	161,798	89,183	55.1%
Insurance	43,097	48,658	5,561	11.4%
Employee Benefits	666,998	804,110	137,112	17.1%
Miscellaneous general	186,974	258,094	71,120	27.6%
Total Administrative and General	<u>1,415,146</u>	<u>1,744,629</u>	<u>329,483</u>	<u>18.9%</u>
Total Operation, Customer, & Admin Expenses	<u>2,846,004</u>	<u>3,173,190</u>	<u>327,186</u>	<u>10.3%</u>
Depreciation	1,415,037	1,546,949	131,912	8.5%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	<u>\$ 4,261,042</u>	<u>4,720,140</u>	<u>459,098</u>	<u>9.7%</u>
OPERATING INCOME	<u>\$ 1,347,086</u>	<u>669,298</u>	<u>677,788</u>	<u>101.3%</u>

SHAKOPEE PUBLIC UTILITIES
COMPARATIVE FINANCIAL RESULTS
2017 – 2018



SHAKOPEE PUBLIC UTILITIES
“Lighting the Way – Yesterday, Today and Beyond”

SHAKOPEE PUBLIC UTILITIES
COMBINED STATEMENT OF REVENUE & EXPENSE AND NET ASSETS
COMPARATIVE FINANCIAL RESULTS FOR 2017 - 2018

	2018			2017			Electric		Water		Total Utility	
	Electric	Water	Total Utility	Electric	Water	Total Utility	2017 - 2018 B/(W) \$ %	2017 - 2018 B/(W) \$ %	2017 - 2018 B/(W) \$ %			
OPERATING REVENUES	\$ 50,393,488	5,608,128	56,001,616	46,887,043	5,184,200	52,071,243	3,506,445 7.5%	423,928 8.2%	3,930,373 7.5%			
OPERATING EXPENSES												
Operation and Maintenance	41,697,429	2,846,004	44,543,434	39,073,148	2,807,262	41,880,409	(2,624,281) -6.7%	(38,743) -1.4%	(2,663,024) -6.4%			
Depreciation	2,237,527	1,415,037	3,652,564	2,055,840	1,318,706	3,374,546	(181,686) -8.8%	(96,332) -7.3%	(278,018) -8.2%			
Amortization of Plant Acquisition	-	-	-	-	-	-	- #DIV/0!	-	- #DIV/0!			
Total Operating Expenses	43,934,956	4,261,042	48,195,998	41,128,988	4,125,967	45,254,955	(2,805,968) -6.8%	(135,075) -3.3%	(2,941,042) -6.5%			
Operating Income	6,458,532	1,347,086	7,805,618	5,758,055	1,058,233	6,816,288	700,477 12.2%	288,853 27.3%	989,330 14.5%			
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	430,798	184,856	615,654	435,086	215,809	650,895	(4,288) -1.0%	(30,952) -14.3%	(35,241) -5.4%			
Interdepartment Rent from Water	90,000	-	90,000	90,000	-	90,000	- 0.0%	-	- 0.0%			
Investment Income	449,019	219,864	668,883	215,222	81,118	296,340	233,797 108.6%	138,746 171.0%	372,543 125.7%			
Interest Expense	(65,609)	(989)	(66,599)	(348,580)	(313)	(348,893)	282,971 81.2%	(677) -216.4%	282,294 80.9%			
Amortization of Debt Issuance Costs and Loss on Refunding	(216,694)	-	(216,694)	(17,802)	-	(17,802)	(198,892) -1117.2%	- #DIV/0!	(198,892) -1117.2%			
Gain on the Disposition of Property	59,601	5,536	65,138	6,694	(74,373)	(67,679)	52,907 -	79,909 107.4%	132,817 -			
Total Non-Operating Revenue (Expense)	747,115	409,267	1,156,382	380,620	222,240	602,861	366,495 96.3%	187,026 84.2%	553,521 91.8%			
Income Before Contributions and Transfers	7,205,648	1,756,353	8,962,000	6,138,675	1,280,473	7,419,148	1,066,972 17.4%	475,879 37.2%	1,542,852 20.8%			
CAPITAL CONTRIBUTIONS	730,662	5,868,217	6,598,879	1,158,713	4,468,735	5,627,448	(428,051) -36.9%	1,399,482 31.3%	971,431 17.3%			
TRANSFER TO MUNICIPALITY	(1,509,222)	(1,091,814)	(2,601,036)	(1,411,320)	(1,001,919)	(2,413,240)	(97,902) -6.9%	(89,894) -9.0%	(187,796) -7.8%			
CHANGE IN NET POSITION	6,427,087	6,532,756	12,959,843	5,886,068	4,747,289	10,633,357	541,020 9.2%	1,785,467 37.6%	2,326,486 21.9%			
TOTAL NET ASSETS - Beginning of Year	70,490,771	61,588,326	132,079,097	64,604,704	54,648,241	119,252,945	5,886,068 9.1%	6,940,085 12.7%	12,826,152 10.8%			
PRIOR PERIOD ADJUSTMENT	-	-	-	-	2,192,796	2,192,796	- #DIV/0!	(2,192,796) -100.0%	(2,192,796) -100.0%			
Beginning of Year, as Restated	\$ 70,490,771	61,588,326	132,079,097	64,604,704	56,841,037	121,445,741	5,886,068 9.1%	4,747,289 8.4%	10,633,357 8.8%			
TOTAL NET ASSETS - END OF YEAR	\$ 76,917,858	68,121,082	145,038,940	70,490,771	61,588,326	132,079,097	6,427,087 9.1%	6,532,756 10.6%	12,959,843 9.8%			

**SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE**


	2018	2017	2017 - 2018 Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 17,891,566	16,496,838	1,394,729	8.5%
Commercial	31,414,833	29,341,945	2,072,889	7.1%
Uncollectible accounts	(71,802)	(51,746)	(20,057)	-38.8%
Total Sales of Electricity	49,234,598	45,787,037	3,447,561	7.5%
Forfeited Discounts	252,538	248,556	3,982	1.6%
Free service to the City of Shakopee	170,988	168,038	2,950	1.8%
Conservation program	735,365	683,413	51,952	7.6%
Total Operating Revenues	50,393,488	46,887,043	3,506,445	7.5%
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	35,555,031	33,180,393	(2,374,638)	-7.2%
Distribution operation expenses	417,657	390,397	(27,260)	-7.0%
Distribution system maintenance	942,150	627,840	(314,309)	-50.1%
Maintenance of general plant	258,740	283,974	25,233	8.9%
Total Operation and Maintenance	37,173,577	34,482,603	(2,690,975)	-7.8%
Customer Accounts				
Meter Reading	115,910	101,514	(14,396)	-14.2%
Customer records and collection	467,845	467,356	(489)	-0.1%
Energy conservation	735,365	683,413	(51,952)	-7.6%
Total Customer Accounts	1,319,119	1,252,283	(66,836)	-5.3%
Administrative and General				
Administrative and general salaries	610,512	564,340	(46,172)	-8.2%
Office supplies and expense	139,740	132,106	(7,634)	-5.8%
Outside services employed	186,004	281,500	95,496	33.9%
Insurance	129,290	153,709	24,419	15.9%
Employee Benefits	1,830,931	1,833,539	2,609	0.1%
Miscellaneous general	308,256	373,068	64,811	17.4%
Total Administrative and General	3,204,732	3,338,262	133,530	4.0%
Total Operating Expenses	41,697,429	39,073,148	(2,624,281)	-6.7%
Depreciation	2,237,527	2,055,840	(181,686)	-8.8%
Amortization of plant acquisition	-	-	-	#DIV/0!
Total Operating Expenses	\$ 43,934,956	41,128,988	(2,805,968)	-6.8%
OPERATING INCOME	\$ 6,458,532	5,758,055	700,477	12.2%

SHAKOPEE PUBLIC UTILITIES

WATER OPERATING REVENUE AND EXPENSE

	2018	2017	2017 - 2018	
			Better/(Worse)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 5,568,252	5,161,591	406,661	7.9%
Forfeited Discounts	38,380	23,898	14,482	60.6%
Uncollectible accounts	1,496	(1,288)	2,784	216.1%
Total Operating Revenues	<u>5,608,128</u>	<u>5,184,200</u>	<u>423,928</u>	<u>8.2%</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	474,523	446,320	(28,203)	-6.3%
Pumping and distribution maintenance	427,410	336,401	(91,009)	-27.1%
Power for pumping	300,400	289,227	(11,173)	-3.9%
Maintenance of general plant	37,283	35,362	(1,921)	-5.4%
Total Operation and Maintenance	<u>1,239,615</u>	<u>1,107,310</u>	<u>(132,306)</u>	<u>-11.9%</u>
Customer Accounts				
Meter Reading	61,848	56,367	(5,481)	-9.7%
Customer records and collection	129,395	125,980	(3,414)	-2.7%
Energy conservation	-	1,834	1,834	-
Total Customer Accounts	<u>191,243</u>	<u>184,182</u>	<u>(7,061)</u>	<u>-3.8%</u>
Administrative and General				
Administrative and general salaries	397,716	358,588	(39,129)	-10.9%
Office supplies and expense	47,746	61,221	13,475	22.0%
Outside services employed	72,615	153,596	80,981	52.7%
Insurance	43,097	51,236	8,140	15.9%
Employee Benefits	666,998	646,966	(20,032)	-3.1%
Miscellaneous general	186,974	244,163	57,189	23.4%
Total Administrative and General	<u>1,415,146</u>	<u>1,515,770</u>	<u>100,624</u>	<u>6.6%</u>
Total Operating Expenses	<u>2,846,004</u>	<u>2,807,262</u>	<u>(38,743)</u>	<u>-1.4%</u>
Depreciation	1,415,037	1,318,706	(96,332)	-7.3%
Amortization of plant acquisition	-	-	-	-
Total Operating Expenses	<u>4,261,042</u>	<u>4,125,967</u>	<u>(135,075)</u>	<u>-3.3%</u>
OPERATING INCOME	<u>\$ 1,347,086</u>	<u>1,058,233</u>	<u>288,853</u>	<u>27.3%</u>

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION
FROM: JOHN R. CROOKS, UTILITIES MANAGER 
SUBJECT: CITY COUNCIL COMMISSIONER REAPPOINTMENT
DATE: FEBRUARY 15, 2019

At noon on Friday February 15, I was made aware of the consent agenda item 4.A.4 on the February 19 City Council meeting agenda. The agenda item is attached for your review.

It is being recommended that our Commission President Aaron Weyer not be reappointed to another 3 year term for SPU Commissioner.

The Interview Committee is recommending Past Commission Liaison Kathi Mocol be appointed to a 3 year term beginning April 1, 2019.



Shakopee City Council

February 19, 2019

7:00 PM

City Hall 485 Gorman St.

Shakopee Mission Statement

The Mission of the City of Shakopee is to provide the opportunity to live, work and play in a community with a proud past, promising future, and small town atmosphere within a metropolitan setting.

- A. Keep Shakopee a safe and healthy community where residents can pursue active and quality lifestyles.
- B. Positively manage the challenges and opportunities presented by growth, development and change.
- C. Maintain the City's strong financial health.
- D. Maintain, improve and create strong partnerships with other public and private sector entities.
- E. Deliver effective and efficient public services by a staff of well-trained, caring and professional employees.
- F. Housekeeping item.

Mayor Bill Mars presiding

1. Roll Call
2. Pledge of Allegiance
3. Approval of Agenda
4. Consent Business - (All items listed in this section are anticipated to be routine. After a discussion by the Mayor there will be an opportunity for members of the Council to remove any items from the consent agenda for individual discussion. Those items removed will be considered following the Public hearing portion of the agenda. Items remaining on the Consent Agenda will not be discussed and will be approved in one motion.)
 - A. Administration
 - *4. A.1. *City Council Minutes
 - *4. A.2. *Ordinance for Micro Distillery and Cocktail Room licenses
 - *4. A.3. *Approval of On-Sale and Sunday On-Sale Liquor license for Sapporro MN Inc.
 - *4. A.4. *Appointment of Individuals to Boards and Commissions
 - *4. A.5. *Resolution in Support of Repeal of Dan Patch Commuter Rail Line Study Prohibitions
 - B. Parks and Recreation
 - *4. B.1. *Accept Donation from Shakopee Amateur Baseball
 - C. Planning and Development
 - *4. C.1. *Set Public Hearing for Vacation of Right-of-Way

- D. Public Works and Engineering
 - *4. D.1. *Recycling Grant for Clean-Up Days
 - *4. D.2. *Memorial Park Bridge and Trail Project
 - *4. D.3. *Vierling Drive Project
- 5. RECOGNITION OF INVOLVED CITIZENS BY CITY COUNCIL - Provides an opportunity for the public to address the Council on items which are not on the agenda. Comments should not be more than five minutes in length. The Mayor may adjust that time limit based upon the number of persons seeking to comment. This comment period may not be used to make personal attacks, to air personality grievances, to make political endorsements or for political campaign purposes. Council Members will not enter into a dialogue with citizens, and questions from Council will be for clarification only. This period will not be used to problem solve issues or to react to the comments made, but rather for informational purposes only.
- 6. Business removed from consent will be discussed at this time
- 7. Public Hearings
 - 7.A. 2019 Street & Utility Reconstruction Project
- 8. General Business
 - A. Administration
 - 8. A.1. Monthly Financial Review - January 2019
 - 8. A.2. Republic Services Annual Report
 - B. Planning and Development
 - 8. B.1. Presentation by Downtown Shakopee (Main Street)
 - 8. B.2. Presentation by the Shakopee Chamber and Visitors Bureau
- 9. Reports
 - 9.A. City Bill List
 - 9.B. Liaison and Administration
- 10. Other Business
- 11. Adjournment to March 5, 2019 at 7:00 p.m.



**Shakopee City Council
February 19, 2019**

FROM: Lori J Hensen, City Clerk
TO: Mayor and Council Members

Subject:

Appointments to Boards and Commissions.

Policy/Action Requested:

Approve resolution R2019-027, a resolution appointing individuals to various boards and commissions.

Recommendation:

Approve the above motion.

Discussion:

The terms on boards and commissions expire February 28, 2019, or until their successors are appointed and qualified. The city has advertised for volunteers interested in filling seats on the various boards and commissions. On February 6 and February 13, an interview panel consisting of Councilmember Jay Whiting and Councilmember Jody Brennan and the Vice Chairs from each of the boards and commissions interviewed a total of 13 applicants.

After reviewing the qualifications, the interview committee is making the following recommendations (*Incumbents):

Parks and Recreation Advisory Board - John Otto*, Joseph Yetman

Planning Commission/BOAA - Daniel Mock*, Josh Forsythe, Daniel Olson

Shakopee Public Utilities Commission - Kathi Hofer-Mocol

Police Civil Service Commission - Miles Lahr

Budget Impact:

ATTACHMENTS:

▫ Resolution R2019-027

RESOLUTION R2019-027

A RESOLUTION APPOINTING INDIVIDUALS TO VARIOUS BOARDS AND COMMISSIONS

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, MINNESOTA, that the following appointments are hereby made:

1. Daniel Mock* is appointed to the Planning Commission/BOAA for four-year term expiring February 28, 2023.
2. Josh Forsythe is appointed to the Planning Commission/BOAA for the four-year term expiring February 28, 2023.
3. Daniel Olson is appointed to the Planning Commission/BOAA for the remaining vacated term expiring on February 28, 2020.
4. John Otto* and Joseph Yetman are appointed to the Park and Recreation Advisory Board for three-year terms expiring February 28, 2022.
5. Kathi Hofer-Mocol is appointed to the Shakopee Public Utilities Commission for a three-year term expiring March 31, 2022.
6. Miles Lahr is appointed to the Police Civil Service Commission for the three-year term expiring on February 28, 2022.

Adopted in regular session of the City Council of the City of Shakopee, Minnesota, held this 19th day of February 2019.


Mayor of the City of Shakopee

ATTEST:

City Clerk

**SHAKOPEE PUBLIC UTILITIES
MEMORANDUM**

11c

TO: SHAKOPEE PUBLIC UTILITIES COMMISSION
FROM: JOHN R. CROOKS, UTILITIES MANAGER 
SUBJECT: CITY COUNCIL / SPU JOINT MEETING
DATE: FEBRUARY 15, 2019

There is a request from the City Council for a joint meeting between our governing boards.

This request is based on recent issues that have arisen between the City of Shakopee and Shakopee Public Utilities, of which you are aware of. Based on the City's proposed agenda items/requests, the thrust of the meeting will be centered upon SPU's rates and charges.

1. The Shakopee Public Utilities Commission formally requested that the Utilities Manager be allowed to present the "Public Policy Committee" presentation that was given to the Chamber of Commerce on December 11, 2018. The Commission felt having this presentation given to the City Council prior to a separate joint meeting would be beneficial and allow the two Boards to concentrate on other issues besides SPU rates and charges.

This request was denied in "they believe that a single joint meeting is the appropriate way to deal with the issue for reasons of transparency, having the issues discussed with the policy makers available for discussion, and the ability for the public to understand the issues".

The Council has proposed a single joint meeting be held March 12th.

RECOMMENDATION –

Confirm a date for the Council/Commission joint meeting.

2. The City Council, through the City Administrator has requested that their agenda items include the following:

- Provide the presentation that was given to the Chamber of Commerce Public Policy Committee.
- Provide the status of our current rate formula for both WCC and TWC to include any changes to the formula that you foresee.
- Provide a comparison of the SPU WCC/TWC rates for our neighboring and comparable cities (please include those funds that operate as your WCC/TWC which may be named differently as well).
- Provide the SPU projected plans for the water infrastructure with an identification of the funding streams.
- Provide an outline of the water rates currently charged and any past recommendations from consultants regarding appropriate rate structures that were not followed and why.
- The effect of the Woodbury decision on your funding decisions in the future.

RECOMMENDATION –

Accept the proposed Council agenda items as presented.

3. The Commission has the opportunity to add any items to the agenda for which you would like discussed with the City Council. Items that would be added by the SPU Commission will be formally submitted to the City Administrator for inclusion in the joint agenda.

RECOMMENDATION –

Develop addition agenda items for inclusion in the joint meeting agenda, with those items being submitted to the City Administrator.

 jcrooks ▾

https://www.swnewsmedia.com/shakopee_valley_news/news/willy-mccoy-s-plans-hung-up-on-water-sewer-fees/article_66eca079-02aa-541b-b298-95427ec61e31.html

TOP STORY

Willy McCoy's plans hung up on water, sewer fees

By Amanda McKnight amcknight@swpub.com 1 hr ago



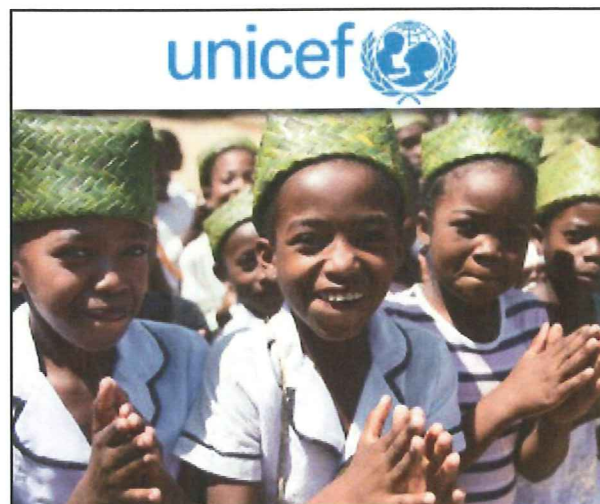
Southbridge Crossings Limited Partnership is constructing this building near Home Depot in Shakopee in hopes of it becoming a Willy McCoy's restaurant.

Photos by Amanda McKnight

An area restaurant owner hoping to open a Willy McCoy's restaurant near Home Depot in Shakopee is concerned that water and sewer connection fees could quash his plan.

Willy McCoy's owner Korey Bannerman is required to pay about \$250,000 in water and sewer connection fees to the city of Shakopee, Metropolitan Council and Shakopee Public Utilities Commission.

While Bannerman understands the need to pay for his infrastructure usage, he is worried the amount is too much.



"I think there's a huge demand from residents for casual, sit-down dining restaurants ... but this is extremely expensive," Bannerman said. "This is probably one-third of my total investment into that store."

Bannerman has been planning to open the restaurant for 18 months, which would be between Home Depot and Southbridge Crossing Cinema off County Roads 21 and 18.

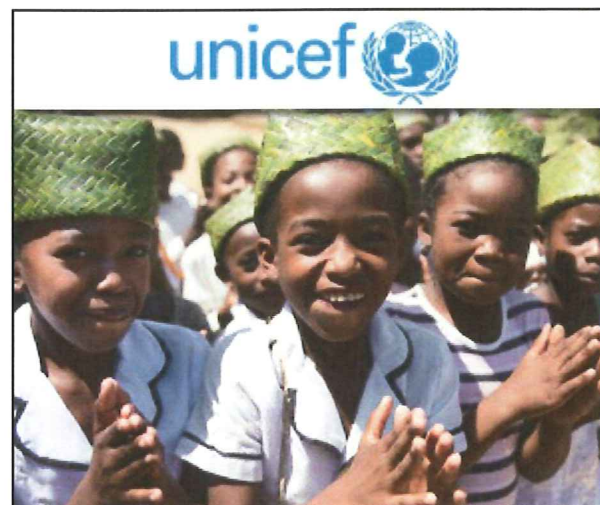
That building is under construction now, which presents another set of concerns for developer Steve Soltau, who owns the land and building.

Soltau, owner of Shakopee Crossings Limited Partnership, discovered when construction began that much of the site was used for garbage burial, and the contaminated soil might not be able to support the building. With the cost of cleanup at more than \$2 per square foot, Soltau's company sought assistance from the city in the form of tax increment financing, an urban financing tool.

In August, the Shakopee City Council, acting as the Economic Development Authority, unanimously approved a TIF plan, which will use the project's newly created property tax revenue to cover the cost of cleaning up the soil. If Soltau doesn't secure tenants for the building, there won't be enough property tax revenue generated to fully reimburse him and the city, meaning Soltau's company could end up eating some of those soil cleanup costs.

"I've got an 8,000-square-foot building that I'm trying to fill," Soltau said. Though he's hopeful the plan for a Willy McCoy's pans out, he has backup plans in mind.

"Given its location, I'd be doing everything I could to make it a restaurant, but if someone is faced with fees that are insurmountable, these operators have a number of alternatives. They can invest in other communities in the metro or outstate," he said.



Soltau has been developing property in Shakopee since the 1990s and said the fees tend to hit restaurants the hardest because they are considered heavy water users. Where a retail shop might pay for up to three units at a cost of \$9,021 per unit, Willy McCoy's will be on the hook for approximately 28 units.

That fee is divided among three entities, with 5.5 percent going to the city of Shakopee, 27.5 percent to the Met Council and 67 percent to SPUC.

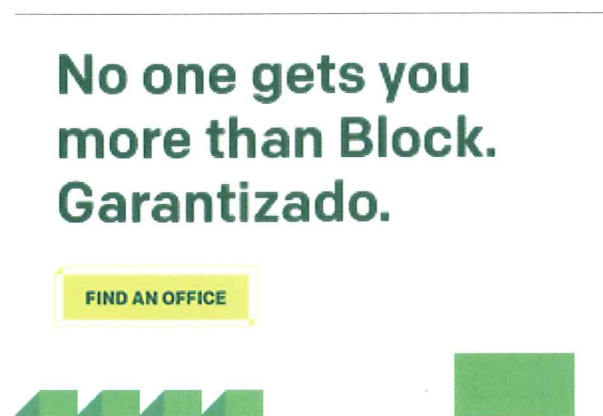
"When you're building a restaurant and suddenly those fees are over a quarter of a million dollars, it impacts the viability of that restaurant entirely," Soltau said.

A cry for help

In December, Bannerman asked the city council to offset the water and sewer fees by allotting him sewer credits, which the city has in a reserved fund. The city council can vote to use those credits to pay for the city and Met Council portion of the fees, or about one-third of the cost per unit.

The council tabled the discussion because it has a policy that specifies credits should be reserved for companies bringing high-paying jobs to Shakopee. The policy says the council can grant one credit for every 10 full-time positions created that pay at least \$19 per hour.

The policy also allows low-interest loans on the credits, with the terms dependent on the cost of the overall project. The council has the authority to deviate from the policy recommendations any time, according to the policy.



Soltau said the credits would be better used on small business development than a corporation.

“Those credits mean little to nothing to someone doing a \$60 million project,” he said.

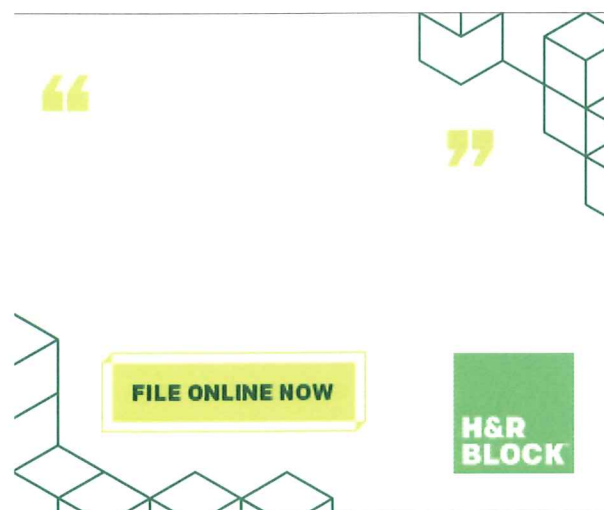
With such high demand for restaurants in Shakopee, Bannerman and Soltau want to see the council deviate from its policy to take the edge off the project fees.

“We’ll have a ton of salaries and wages out there, and it’s almost as if they don’t care,” Bannerman said.

Planning and Development Director Michael Kerski said the council, historically, has seen this issue from a different perspective.

“The council’s attitude is we have those (credits) for economic development purposes, not to make up for (Shakopee Public Utilities),” Kerski said, referring to the SPUC fees, at 67 percent of the total.

Even if the city council awarded some credits to Bannerman, he would still have to pay the SPUC fees at more than \$6,000 per unit. SPUC Manager John Crooks said the water connection charges help pay for more infrastructure to support growth.



“We’re rapidly growing, so we have to put infrastructure in place, and when we have

growth like this it has to happen in a short period of time," he said.

Soltau maintains that development fees like the water and sewer charges are becoming too expensive. Since 2002, the SPUC water connection charge has increased from \$567 per unit to \$6,039 per unit. That's not including the trunk water fee that is charged per acre, which was \$831 per net acre in 2002 and today is \$4,451 per net acre.

"SPUC shouldn't be losing money on water," Soltau said. "They charge for usage, so why is the connection fee so high? And why are the trunk fees so high?"

Crooks said it comes down to everyone paying their fair share.

"Any new customer that comes ... has to pay their fair share of additions. That's water tanks, booster stations, treatment of the water and pump houses," Crooks said. "We don't socialize the cost and have other restaurants and businesses pay for that."

A water storage tank alone can run around \$2.5 million, with a treatment facility and pump house costing at least \$1.5 million, Crooks said.

Though Bannerman is still hoping for some assistance from the city, he did agree to a three-year payment program with SPUC, which gives him three years to pay for the fees with zero interest or rate escalation. In the end, though, a payment plan won't ease the overall cost, he said.



What next?

According to SPUC minutes from its Jan. 7 meeting, city staff has been researching the utility rate structure. City Administrator Bill Reynolds emailed Crooks requesting its policy for rate increases and justification for its water connection charge, as well as its investment returns for the last five years and other data, and now the two governmental bodies are planning a joint meeting in March.

"We'd like to hear from their policy center, because they're the ultimate ones that set those policies," Mayor Bill Mars said Tuesday at a council workshop. "I'm strongly in favor of a joint meeting with their board and our board."

At the same meeting, Mars said he's hesitant to give financial assistance to a restaurant because restaurants tend to have short life spans.

"I like restaurants just as much as anybody else," Mars said. "If you spend money to attract (a business) in some fashion, I think that would be for something that's going to last a long time."

Crooks will give a presentation about the utility fees at the March 12 joint meeting. In the meantime, Bannerman is forging forward, albeit hesitantly, with his plan to open Willy McCoy's.

"I really hope we can resolve this. I've got my plans done. I'm ready to go in, Steve (Soltau) is eager to get it going," Bannerman said. "There's a lot of housing that's gone up out there, but there's not a lot of other restaurants, especially sit-down dining, in that area. We still hope everything is going to work out."

Amanda McKnight

Reporter and Lifestyle Guide Coordinator

Amanda McKnight has been a Southwest News Media reporter for four years. Amanda is passionate about accountability journalism and describes herself as spunky and assertive. She enjoys running, knitting, exploring nature and going on adventures with her hu

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Prior Lake, other growing cities debate how to move forward after Harstad v. Woodbury

By Maggie Stanwood mstanwood@swpub.com Feb 12, 2019



Walls went up at the Pike Lake Marsh construction site in August 2017 in Prior Lake. Under a recent Minnesota Supreme Court decision, the city of Prior Lake is unable to charge developers street impact fees.

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The city of Prior Lake could lose an estimated \$25 million in projected revenue over the next two to three decades due to a recent Minnesota Supreme Court decision banning a specific kind of development fee, city officials say.

On one hand, developers said the removal of the fee will help create housing at lower costs. On the other, city leaders said the extra costs incurred by the city could become a burden on the taxpayers.

Street impact fees

When a commercial or residential development comes to Prior Lake, the developer is responsible for the cost of installing streets and utilities on the property.

The developer is also charged sewer, stormwater and water fees from the city for work near but not on the development that would be strained from the additional use the development would bring. These fees have statutory authority.

Similar fees charged for street work aren't part of state law, however, City Attorney Sarah Schwarzhoff said. Until this year, the city charged a street impact fee of about \$6,500 per acre.

"When you do add homes, you do add car trips," Prior Lake Mayor Kirt Briggs said. "You do add increased demand on the infrastructure. Those costs mean a city must increase infrastructure or maintain infrastructure to address that need. That brings with it real cost."

In August 2018, the Minnesota Supreme Court ruled state law didn't give the authority to charge fees from developers for future road projects.

The case began in 2015 when developer Martin Harstad submitted an application to build Bailey Park, a 183-unit residential community on 77 acres in Woodbury. The city charged Harstad an infrastructure fee of almost \$1.4 million, or \$20,230 per acre, for "roadway and intersection improvements ... required to accommodate traffic generated by Bailey Park and surrounding areas," according to the court's opinion summary for the Harstad's lawsuit against Woodbury.

"If the law says you can do A and you try to do A and B, someone is going to say, 'No, you can just do A,'" City Manager Frank Boyles said. "That's what happened with Harstad."

For cities such as Bloomington, Edina and St. Paul, which don't have much room to expand or build, the decision won't have as much of an impact, Prior Lake City Council members said during a work session discussion on the case on Feb. 4.

But cities such as Prior Lake or Jordan with large tracts of undeveloped land are looking for a way to develop and grow without placing the cost of infrastructure improvements on current residents, Public Works Director Jason Wedel said.

"The concern for the City Council has been that development should pay for itself, so it's trying to find a way the city can still fund these improvements and not have those costs be incurred against our existing residents," Wedel said.

City officials' estimated loss of more than \$20 million over the next few decades is based on the \$6,500 per acre fee in Prior Lake and the amount of undeveloped land in the city — including the recent annexations from Credit River and Spring Lake townships. In 2019 alone, the city could lose an estimated \$250,000 in street impact fees.

"Those costs must be borne by someone or some entity," Briggs said. "The question is who shall bear these costs. Philosophically, I believe the Prior Lake council is unified in saying we believe those costs should be on that growth and on that development and that development alone — that those costs should not be on the shoulders of residents already in the community."

The city has about \$1 million on hand at the moment from street impact fees collected previously.

Affordable housing

Representatives from BATC-Housing First Minnesota, a housing industry advocacy group, said the removal of the fees will allow builders to create lower-cost housing in a market that needs it.

“The Supreme Court unanimously said cities don’t have the power to charge these fees that are adding to the cost of new homes in the Twin Cities at a time when housing affordability is declining,” Housing First Minnesota Regulatory Affairs Manager Nick Erickson said. “It was a huge win for those looking out for housing affordability.”

Up to one-third of the cost of a new home in the Twin Cities comes from local, regional and state regulations, according to a recent report from the group. Per the report, the Twin Cities metro area is one of the worst markets for affordable new homes in the Midwest, with less than one-third of new homes selling for \$325,000 or less.

The affordable housing crunch has affected Scott County as well, according to a 2017 report from the Minnesota Housing Partnership.

In Scott County, 45 percent of renters spend more than 30 percent of their income on housing, a conventional threshold for affordability. Non-white people in the county are 50 percent less likely than white people to own a home.

“These fees are paid by the new home buyers,” Erickson said.

The Harstad v. Woodbury case wasn’t the first to address local development fees, Erickson said. A 1997 case, Country Joe v. Eagan, found cities were not allowed to charge developers a fee for “funding major street improvements,” according to a case document.

"I've reached out to 25 cities in the last six to nine months to get an understanding of which cities use these fees, which they're legally not allowed to use," Erickson said. "The vast majority did not rely on these fees. ... Cities I spoke with couldn't understand why cities like Woodbury and Prior Lake were charging these fees when it's abundantly clear these fees are not permissible."

There's nonetheless more that goes into the cost of a home than the street impact or infrastructure fees, such as building codes, labor and raw material costs, Prior Lake City Council member Zach Braid said.

"If we're talking about bringing the cost of housing down, we have to have a holistic conversation about what goes into the cost of housing," Braid said. "I highly doubt, with this change, that now we are going to see affordable housing come in 2019. I highly doubt you'll even see a difference. Builders, developers, they will charge what the market will bear and what the market will absorb."

On the state level

The council has debated for several weeks what to do now that the fee has been removed, but each option has drawbacks, Boyles said.

Special assessments are permitted through state statute, but the city must show there would be a benefit to the assessed property from a proposed project, which becomes more difficult the farther the work is from the property in question, Boyles said. The city could also set up an escrow, but Boyles said the project must be done in a certain time period as designated by law.

Ultimately, the Legislature should include street impact fees in state statute as it did with sewer, water and stormwater, Boyles said.

"How in the world can you have three of them have legislative authority and the fourth one, perhaps the most important one ... not authorized by statute?" Boyles said. "It confounds me."

It might be difficult to gain traction in the Legislature, Schwarzhoff said.

"This is a fairly small category of city this affects, and because it's a fairly small category, it's hard to get anyone moving on it," Schwarzhoff said. "The builder's association has a lot of lobby, and they have managed to convince a lot of legislators that there's not a problem."

City officials have been speaking to the surrounding communities, the county and the League of Minnesota Cities about banding together.

"I certainly hope we have some legislative authority at some point to allow us to charge for street impact fees," council member Kevin Burkart said. "To not do that, I think, is putting a lot of municipalities in a straitjacket and essentially being in favor of socializing cost."

Both the League of Minnesota Cities and the Scott County Association for Leadership & Efficiency included making infrastructure fees part of state statute in their 2019 legislative priorities. Prior Lake leaders are also drafting a similar resolution that could be adopted by the city and other councils or boards in the state.

Shakopee City Administrator Bill Reynolds said that city does not have street impact fees or similar, but the Shakopee City Council would consider supporting the resolution and Prior Lake.

Rep. Tony Albright, who represents Prior Lake and Jordan in the state house, said there will be a "need for a legislative response to the decision" but that it might not be addressed quickly.

"I want to make sure that in response to whatever we do, we ensure that all stakeholders have a place at the table and every voice counts," Albright said.

Albright said he is also waiting to see what the priorities of Gov. Tim Walz, as outlined in the budget, will be, including any related to housing affordability.

In the meantime, the Prior Lake council authorized a contract with a planning and engineering consultant on Jan. 22 to look at “future transportation infrastructure needs” and how much those needs would cost.

MORE INFORMATION



Legislators caution county leaders about 'illusory' surplus

Maggie Stanwood

Maggie Stanwood was born and raised in small-town Iowa before moving to Wyoming in middle school. After her brief stint in the Wild West, she attended the University of Missouri - Columbia, where she graduated in May 2017 with a Bachelors in Journalism.

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