

AGENDA
SHAKOPEE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
September 9, 2024
at 5:00 PM

1. **Call to Order** at 5:00pm in the SPU Service Center, 255 Sarazin Street
 - 1a) Roll Call

2. **Communications**
 - 2a) Customer Communications, re: Backflow Testing and Penalties Appeal response (GD)

3. **Consent Agenda**
 - C=> 3a) Approval of August 3, 2024 Minutes (GD)
 - C=> 3b) Approval of September 9, 2024 Agenda (JK)
 - C=> 3c) September 9, 2024 Warrant List (KW)
 - C=> 3d) Monthly Water Dashboard for July 2024 (LS)
 - C=> 3e) Reservoir Structure Inspections (LS)
 - C=> 3f) July 31, 2024 Financials Reports (KW)
 - C=> 3g) 2025 Budget Timeline (KW)
 - C=> 3h) Statement of Work – Audit Services: Clifton, Larson Allen LLP (CLA) (KW)
 - C=> 3i) MMPA August 2024 Meeting Update (GD)
 - C=> 3j) Res #2024-27 Resolution of Appreciation to Gregory Triplett (GD)
 - C=> 3k) Res #2024-28 Resolution of Appreciation to Cynthia Nickolay (GD)
 - C=> 3l) Controlled Substance and Alcohol Testing Policy (GD)

* Motion to approve the Consent Agenda

4. **Public Comment Period.** Please step up to the table and state your name and address for the record.

5. **Reports: Water Items**
 - 5a) Customer Appeal of Backflow Penalties (GD)
 - 5b) 2024 Comprehensive Water Plan Update by SEH, Inc. (JA) *

* Motion to accept the report and the recommendations contained within, request more information or direct revisions to the report.

- 5c) Water System Operations Report – Verbal (LS)
- 5d) AM! Water Meter Installations – Actions for Failure to Install (SW)
- 5e) Jackson Township Park Water Service Request by the City of Shakopee (JA) *

* Motion to approve the water service consistent with the provision in Resolution #814

- 5f) Request to Authorize Use of Reclaimed Water in Car Wash (JA) *

* Motion to Authorize the General Manager to proceed as described and direct staff to update the Water Policy Manual to incorporate the requirements to allow reclaimed water to use in certain acceptable situations.

6. **Liaison Report** (JD)

7. **Reports: Electric Items**

7a) Electric System Operations Report – Verbal (BC)

8. **Reports: General**

8a) Marketing/Key Accounts Report – Verbal (SW)

8b) Organization Chart Changes 2024 - 2025 (GD) *

* Motion to accept the changes to the Organizational Chart 2024 - 2025

8c) General Manager Report – Verbal (GD)

8d) NES WTP Site Search Update: Shakopee Gravel/Hawkins potential site plans (GD) **

** A portion of this meeting may be closed under Minnesota Statutes, Section 13D.05, subdivision 3(c) to review confidential or protected nonpublic appraisal data and to develop or consider offers or counteroffers for the purchase of property at 1776 Mystic Lake Drive S

9. **Items for Future Agendas**

10. **Tentative Dates for Upcoming Meetings**

- September 23, 2024 Workshop
- October 7, 2024
- November 4, 2024

11. **Adjournment**



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DATE: September 3, 2024
TO: Greg Drent, General Manager *GD*
FROM: Kelley Willemsen, Director of Finance & Administration *KW*
SUBJECT: July 31, 2024 – Financials Reports

As part of the July 31, 2024, financial reports we continued the practice of providing a component of analytical review. For the Water and Electric Operating Revenue and Expense budget to actual reports you will see comments at the bottom of each page. In addition to the analytical review, there are a few important points to note.

- The budget is projected on an annual basis rather than a monthly basis, so the information reported through July 31, 2024, equates to 58% of the annual budget.
- Change in net position for the electric division as of 07/31/2024 is favorable at \$2.77M.
- Change in net position for the water division as of 07/31/2024 is favorable at \$2.32M.
- YTD electric operating revenues are down 2.67% from the prior year.
- YTD electric operating revenues are down 8.21% from budget due to less KWH usage than projected through July and the even budget spread for the full year.
- YTD electric expenses are down 7.00% (excluding depreciation) from the previous year. Depreciation for the electric division is higher due to the accelerated depreciation adjustment made for the retirement of old meters through the AMI project.
- YTD electric expenses are better (excluding depreciation) to budget mainly due to less purchase power costs through July.
- YTD water operating revenues are down 17.3% from the prior year.
- YTD water operating revenues are down 19.69% from budget due to less water usage than projected through July and the even budget spread for the full year.
- YTD water expenses are up 4% (excluding depreciation) from the previous year. Depreciation for the water division is higher due to the accelerated depreciation adjustment made for the retirement of old meters through the AMI project.
- YTD water expenses are better to (excluding depreciation) to budget by 11.3%.

Included in this report are the following statements:

- Combined Statement of Revenues, Expenses and Changes in Fund Net Position
- Electric Operating Revenue and Expense – Budget to Actual (with analytics)
- Water Operating Revenue and Expense– Budget to Actual (with analytics)
- Electric Operating Revenue and Expense – 2023 to 2024
- Water Operating Revenue and Expense – 2023 to 2024

Request

The Commission is requested to accept the Financial Reports for the period ending 07/31/2024.

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

	Year to Date Actual - July 31, 2024			Year to Date Budget - July 31, 2024			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	\$ 32,874,390	3,325,336	36,199,726	35,814,311	4,140,821	39,955,132	(2,939,921)	-8.2%	(815,485)	-19.7%	(3,755,407)	-9.4%
OPERATING EXPENSES												
Operation, Customer and Administrative	27,294,989	2,481,575	29,776,564	31,084,198	2,796,921	33,881,118	3,789,209	12.2%	315,345	11.3%	4,104,554	12.1%
Depreciation	2,369,459	1,749,582	4,119,041	1,902,816	1,170,619	3,073,435	(466,643)	-24.5%	(578,963)	-49.5%	(1,045,606)	-34.0%
Total Operating Expenses	29,664,448	4,231,157	33,895,605	32,987,013	3,967,540	36,954,553	3,322,565	10.1%	(263,617)	-6.6%	3,058,948	8.3%
Operating Income	3,209,941	(905,822)	2,304,120	2,827,298	173,282	3,000,580	382,643	13.5%	(1,079,104)	622.7%	(698,461)	-23.2%
NON-OPERATING REVENUE (EXPENSE)												
Rental and Miscellaneous	363,681	532,867	896,548	140,174	63,472	203,646	223,507	159.5%	469,395	739.5%	692,902	340.2%
Interdepartment Rent from Water	52,500	-	52,500	52,500	-	52,500	-	0.0%	-	0.0%	-	0.0%
Investment Income	1,109,553	851,441	1,960,994	594,215	284,180	878,396	515,338	86.7%	567,261	199.6%	1,082,599	123.2%
Interest Expense	(51,917)	(2,835)	(54,752)	(46,073)	(7,000)	(53,073)	(5,844)	-12.7%	4,165	59.5%	(1,679)	-3.2%
Gain/(Loss) on the Disposition of Property	8,683	12,765	21,428	-	-	-	8,683	0.0%	12,765	-	21,428	-
Total Non-Operating Revenue (Expense)	1,482,481	1,394,238	2,876,718	740,816	340,652	1,081,468	741,664	100.1%	1,053,585	309.3%	1,795,250	166.0%
Income Before Contributions and Transfers	4,692,422	488,416	5,180,838	3,568,114	513,934	4,082,049	1,124,307	31.5%	(25,518)	-5.0%	1,098,789	26.9%
CAPITAL CONTRIBUTIONS	288,065	2,087,482	2,375,546	426,220	2,129,115	2,555,334	(138,155)	32.4%	(41,633)	-2.0%	(179,788)	-7.0%
MUNICIPAL CONTRIBUTION	(2,204,392)	(248,444)	(2,452,836)	(2,120,353)	(248,449)	(2,368,802)	(84,040)	-4.0%	5.25	0.0%	(84,035)	-3.5%
CHANGE IN NET POSITION	\$ 2,776,094	2,327,454	5,103,548	1,873,980	2,394,599	4,268,579	902,114	48.1%	(67,145)	-2.8%	834,969	19.6%

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE
For period ending July 31, 2024

	YTD Actual 7/31/2024	YTD Budget 7/31/2024	YTD Actual v. Budget Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Electricity				
Residential	\$ 11,722,040	13,601,131	(1,879,091)	86.2
Commercial and Industrial	20,446,444	21,432,191	(985,747)	95.4
Total Sales of Electricity	<u>32,168,483</u>	<u>35,033,321</u>	<u>(2,864,838)</u>	<u>91.8</u>
Forfeited Discounts	143,142	178,278	(35,136)	80.3
Free service to the City of Shakopee	84,036	77,212	6,824	108.8
Conservation program	478,729	525,500	(46,771)	91.1
Total Operating Revenues	<u>32,874,390</u>	<u>35,814,311</u>	<u>(2,939,921)</u>	<u>91.8</u>
OPERATING EXPENSES				
Operations and Maintenance				
Purchased power	22,833,392	25,525,245	(2,691,853)	89.5
Distribution operation expenses	340,988	519,433	(178,445)	65.6 (1)
Distribution system maintenance	568,865	722,356	(153,491)	78.8 (2)
Maintenance of general plant	308,955	226,171	82,784	136.6 (3)
Total Operation and Maintenance	<u>24,052,200</u>	<u>26,993,204</u>	<u>(2,941,005)</u>	<u>89.1</u>
Customer Accounts				
Meter Reading	91,333	87,936	3,398	103.9
Customer records and collection	360,457	563,312	(202,855)	64.0 (4)
Energy conservation	90,324	531,643	(441,319)	17.0 (5)
Total Customer Accounts	<u>542,114</u>	<u>1,182,891</u>	<u>(640,776)</u>	<u>45.8</u>
Administrative and General				
Administrative and general salaries	537,065	664,065	(126,999)	80.9
Office supplies and expense	305,031	322,054	(17,023)	94.7
Outside services employed	273,442	335,782	(62,341)	81.4
Insurance	108,746	102,083	6,663	106.5
Employee Benefits	1,143,531	1,087,200	56,331	105.2
Miscellaneous general	332,860	396,918	(64,058)	83.9
Total Administrative and General	<u>2,700,675</u>	<u>2,908,102</u>	<u>(207,428)</u>	<u>92.9</u>
Total Operation, Customer, & Admin Expenses	<u>27,294,989</u>	<u>31,084,198</u>	<u>(3,789,209)</u>	<u>87.8</u>
Depreciation	2,369,459	1,902,816	466,643	124.5 (6)
Total Operating Expenses	<u>\$ 29,664,448</u>	<u>32,987,013</u>	<u>(3,322,565)</u>	<u>89.9</u>
Operating Income	<u>\$ 3,209,942</u>	<u>2,827,298</u>	<u>382,644</u>	<u>113.5</u>

Item Explanation of Items Percentage Received/Expended Less than 80% or Greater than 120% and \$ Variance Greater than \$15,000.

- (1) YTD Budget variance is due to an even 12M budget spread for misc distribution expenses (labor). More actual spend to date in maintenance than distribution. Should stabilize some by year end.
- (2) YTD Budget variance is due to higher allocation in the budget for distribution labor and material expenses through July.
- (3) YTD Budget variance is mainly due to higher expenses through May - three new doors, new boiler & equipment repair. Less spend to date in distribution than distribution. Should stabilize some by year end.
- (4) YTD Budget variance is due to lower credit card and collection expenses budgeted.
- (5) YTD Budget variance is mainly due to timing of rebates and the budget having an even spread. Should stabilize throughout the year.
- (6) The 2024 depreciation budget did not include the accelerated depreciation adjustment for the AMI project. \$648K was not budgeted and is causing the higher variance.

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE
For period ending July 31, 2024

	YTD Actual	YTD Budget	YTD Actual v. Budget	
	7/31/2024	7/31/2024	Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Water	\$ 3,315,106	4,117,547	(802,442)	80.5
Forfeited Discounts	10,230	23,274	(13,044)	44.0
Total Operating Revenues	<u>3,325,336</u>	<u>4,140,821</u>	<u>(815,485)</u>	<u>80.3</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	447,174	483,058	(35,883)	92.6
Pumping and distribution maintenance	378,279	427,887	(49,609)	88.4
Power for pumping	234,252	253,825	(19,574)	92.3
Maintenance of general plant	39,399	40,779	(1,380)	96.6
Total Operation and Maintenance	<u>1,099,104</u>	<u>1,205,549</u>	<u>(106,446)</u>	<u>91.2</u>
Customer Accounts				
Meter Reading	43,560	41,593	1,967	104.7
Customer records and collection	104,764	143,010	(38,246)	73.3 (1)
Total Customer Accounts	<u>150,289</u>	<u>184,603</u>	<u>(34,314)</u>	<u>81.4</u>
Administrative and General				
Administrative and general salaries	311,372	395,603	(84,230)	78.7 (2)
Office supplies and expense	102,679	80,154	22,525	128.1 (3)
Outside services employed	112,812	214,635	(101,823)	52.6 (4)
Insurance	36,279	26,316	9,963	137.9 (5)
Employee Benefits	537,803	528,249	9,555	101.8
Miscellaneous general	131,238	161,813	(30,575)	81.1
Total Administrative and General	<u>1,232,183</u>	<u>1,406,768</u>	<u>(174,585)</u>	<u>87.6</u>
Total Operation, Customer, & Admin Expenses	<u>2,481,575</u>	<u>2,796,921</u>	<u>(315,345)</u>	<u>88.7</u>
Depreciation	1,749,582	1,170,619	578,963	149.5 (6)
Total Operating Expenses	<u>\$ 4,231,157</u>	<u>3,967,540</u>	<u>263,617</u>	<u>106.6</u>
Operating Income	<u>\$ (905,822)</u>	<u>173,281</u>	<u>(1,079,103)</u>	<u>(522.7)</u>

Item Explanation of Items Percentage Received/Expended Less than 80% or Greater than 120% and \$ Variance Greater than \$15,000.

- (1) YTD Budget variance is due to lower credit card and collection expenses budgeted.
- (2) Variance is due to higher support services expenses. Expenses are annual so variance should stabilize throughout the year.
- (4) Variance is due to less outside services expensed than budgeted for first quarter - rate studies will be done in 2024 and variance should stabilize.
- (5) Variance is due to higher than budgeted insurance expenses. Expenses are annual so variance should stabilize throughout the year.
- (6) The 2024 depreciation budget did not include the accelerated depreciation adjustment for the AMI project. \$523K was not budgeted and is causing the higher variance.

SHAKOPEE PUBLIC UTILITIES
ELECTRIC OPERATING REVENUE AND EXPENSE
For period ending July 31, 2024

	2024	2023	2023-2024	
			Increase (decrease)	
			\$	%
OPERATING REVENUES				
Residential	\$ 11,722,040	12,118,382	(396,342)	96.7
Commercial and Industrial	20,446,444	20,877,709	(431,266)	97.9
Total Sales of Electricity	<u>32,168,483</u>	<u>32,996,091</u>	<u>(827,608)</u>	<u>97.5</u>
Forfeited Discounts	143,142	185,171	(42,029)	77.3
Free service to the City of Shakopee	84,036	80,561	3,476	104.3
Conservation program	478,729	491,826	(13,097)	97.3
Total Operating Revenues	<u>32,874,390</u>	<u>33,753,649</u>	<u>(879,259)</u>	<u>97.4</u>
OPERATING EXPENSES				
Purchased power	22,833,392	24,710,189	(1,876,797)	92.4
Distribution operation expenses	340,988	389,408	(48,420)	87.6
Distribution system maintenance	568,865	656,509	(87,644)	86.6
Maintenance of general plant	308,955	221,094	87,861	139.7
Total Operation and Maintenance	<u>24,052,200</u>	<u>25,977,200</u>	<u>(1,925,001)</u>	<u>92.6</u>
Meter Reading	91,333	79,950	11,384	114.2
Customer records and collection	360,457	374,782	(14,325)	96.2
Energy conservation	90,324	195,606	(105,282)	46.2
Total Customer Accounts	<u>542,114</u>	<u>650,338</u>	<u>(108,224)</u>	<u>83.4</u>
Administrative and general salaries	537,065	445,680	91,385	120.5
Office supplies and expense	305,031	349,428	(44,397)	87.3
Outside services employed	273,442	235,977	37,464	115.9
Insurance	108,746	87,747	20,999	123.9
Employee Benefits	1,143,531	1,186,409	(42,878)	96.4
Miscellaneous general	332,860	286,332	46,529	116.2
Total Administrative and General	<u>2,700,675</u>	<u>2,591,572</u>	<u>109,102</u>	<u>104.2</u>
Total Operating Expenses	<u>27,294,989</u>	<u>29,219,111</u>	<u>(1,924,122)</u>	<u>93.4</u>
Depreciation	2,369,459	1,629,790	739,669	145.4
Total Operating Expenses	<u>\$ 29,664,448</u>	<u>30,848,901</u>	<u>(1,184,453)</u>	<u>96.2</u>
Operating Income	<u>\$ 3,209,942</u>	<u>2,904,748</u>	<u>305,194</u>	<u>110.5</u>

SHAKOPEE PUBLIC UTILITIES
WATER OPERATING REVENUE AND EXPENSE
For period ending July 31, 2024

	2024	2023	2023-2024	
			Increase (decrease)	
			\$	%
OPERATING REVENUES				
Sales of Water	3,315,106	3,889,395	(574,289)	85.2
Forfeited Discounts	10,230	12,078	(1,848)	84.7
Total Operating Revenues	<u>3,325,336</u>	<u>3,901,473</u>	<u>(576,137)</u>	<u>85.2</u>
OPERATING EXPENSES				
Operations and Maintenance				
Pumping and distribution operation	447,174	460,618	(13,443)	97.1
Pumping and distribution maintenance	378,279	334,830	43,448	113.0
Power for pumping	234,252	210,407	23,845	111.3
Maintenance of general plant	39,399	40,837	(1,438)	96.5
Total Operation and Maintenance	<u>1,099,104</u>	<u>1,046,692</u>	<u>52,411</u>	<u>105.0</u>
Customer Accounts				
Meter Reading	43,560	54,824	(11,264)	79.5
Customer records and collection	104,764	110,822	(6,058)	94.5
Energy conservation	556	380	176	146.3
Total Customer Accounts	<u>148,880</u>	<u>166,025</u>	<u>(17,146)</u>	<u>89.7</u>
Administrative and General				
Administrative and general salaries	311,372	270,877	40,495	114.9
Office supplies and expense	102,679	116,939	(14,260)	87.8
Outside services employed	112,812	122,690	(9,878)	91.9
Insurance	36,279	27,856	8,423	130.2
Employee Benefits	537,803	534,354	3,449	100.6
Miscellaneous general	131,238	105,710	25,529	124.1
Total Administrative and General	<u>1,232,183</u>	<u>1,178,425</u>	<u>53,758</u>	<u>104.6</u>
Total Operating Expenses	<u>2,480,167</u>	<u>2,391,143</u>	<u>89,023</u>	<u>103.7</u>
Depreciation	1,749,582	1,121,690	627,892	156.0
Total Operating Expenses	<u>4,229,749</u>	<u>3,512,833</u>	<u>716,915</u>	<u>120.4</u>
Operating Income	<u>\$ (904,413)</u>	<u>388,640</u>	<u>(1,293,053)</u>	<u>(232.7)</u>



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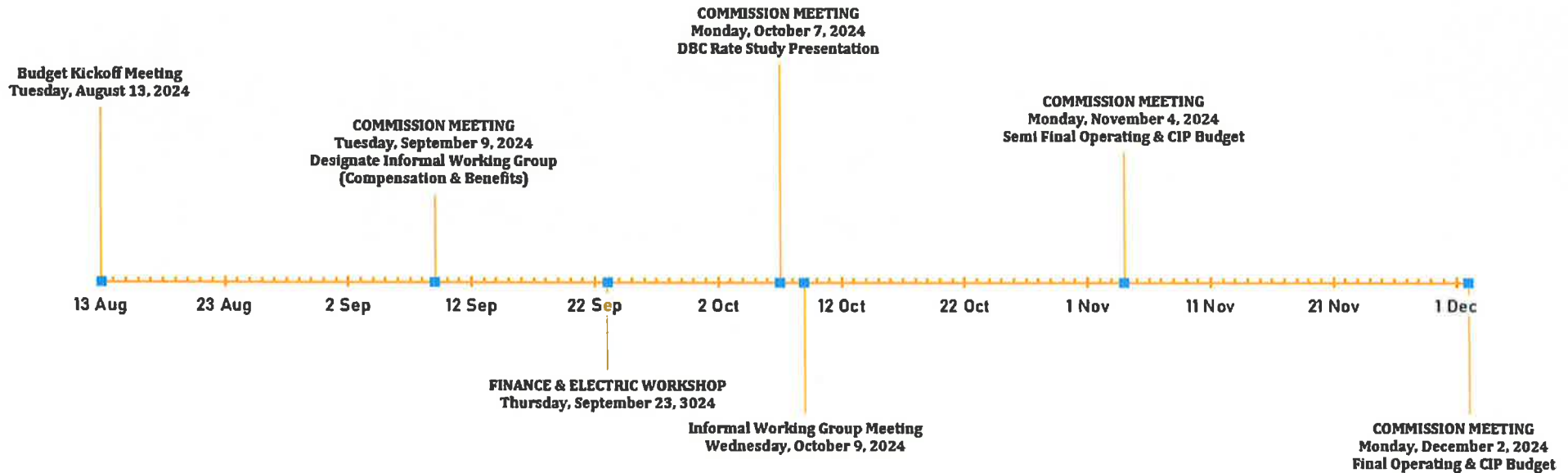
DATE: September 2, 2024
TO: Greg Drent, General Manager *GD*
FROM: Kelley Willemsen, Director of Finance & Administration *KW*
SUBJECT: 2025 Budget Timeline

SPU's annual budget process is underway. Attached is the preliminary 2025 budget timeline and the key dates and details for preparing and completing the budget process.

NO REQUESTED ACTION




2025 BUDGET TIMELINE



Detailed Timeline for Budget Process

August 13, 2024, Budget Kickoff Meeting - GM and department heads to meet to discuss preliminary budget schedule and preparations
August 15, 2024, Employee Performance Reviews to be delivered - Due to HR 9/30/24 - Human Resources to distribute performance review documents to managers
August 19, 2024, Operating and CIP budget templates distributed - YTD historical data and 2023/2024 actuals are reviewed and templates are prepared for each department - YTD budget data is distributed to the department heads for review & recommendations - Due to Finance 9/13/24 - CIP Budget is distributed to the department heads for review and recommendations - Due to Joe 9/13/24
August 29th & 30th, 2024, Rate Study & Wage Analysis Meetings - Meeting with HR Expertise to complete a wage market analysis - wage trends & market factors - Cost study process kickoff with DBC (Dave Berg)
September 9, 2024, Commission Meeting - Commission designate informal working group for Compensation & Benefits - Comprehensive Water Plan Presented
September 13, 2024, Preliminary CIP & Operating Budget Deadline - Department heads return CIP budget to engineering for workshop presentation by 9/13/24 - Department heads return operating budget templates to finance by 9/13/24
September 16 - September 30, 2024: Continued Budget Preparation - CIP cash flows and fund balance projections are prepared - Misc. Fee lists are reviewed & recommendations are prepared - Projected growth and revenue assumptions are prepared - Relocation Underground, water reconstruction, TWC & WCC balances are reviewed against CIP - Department meetings to review CIP & operation numbers are ongoing - present semi final to commission 11/4/24 - Continued meetings with Ehler's on WCC and Trunk Fees - Continued meetings with Christensen Group on 2025 benefits & enrollment schedule - Continued meetings with HR Expertise on 2025 wage trends and market factors - Continued meetings with Dave at DBC on 2025 rates
September 23, 2024, Finance workshop - Present/Discuss Preliminary CIP & Cash Flow balances - Present preliminary wage market analysis details - Present electric long term plan & trunk and WCC plan
September 30, 2024, Performance Reviews - Deadline - Performance reviews completed and returned to Human Resources - Salary Recommendation Worksheets returned to Finance - Due 10/4/24
October 7-11, 2024, Informal Working Group - Review 2025 Wage and Compensation assumptions and impacts on budget
October 18, 2024, Deadline for budget changes - All changes submitted to engineering and finance for preparation for the commission meeting
November 4, 2024, SEMI FINAL Budget Review - Semi Final Operating and CIP Budget presented at the November commission meeting
November 5- December 2nd, 2024, Internal Budget work to finalize budget - Make any recommended changes from November 4, 2024 semi final presentation - Prepare final rate resolutions - Meet with the city to confirm sewer and storm drainage rates for 2025
December 2, 2024, FINAL Budget Review - Final budget presented at the December commission meeting - Rate resolutions are presented at the December commission meeting - Commission decision on general wage and compensation - adopt 2025 wage resolution
December 3 - January 1, 2025, Finalize new wages, benefits & financials - Wage letters are prepared and reviewed with employees - New wages and benefits are updated in the system - New 2025 budget is entered into the system

DATE: September 4, 2024
TO: Commissioners
FROM: Greg Drent, General Manager 
SUBJECT: Statement of Work – Audit Services: Clifton, Larson Allen LLP (CLA)

In 2021 Shakopee Public Utilities released an audit request for proposal (RFP) on audit services. This decision is based on a comprehensive evaluation of their qualifications, industry expertise, and alignment with SPU's needs and goals.

Evaluation Process:

Our selection process included:

1. **Review of Proposals:** We solicited proposals from several well-regarded audit firms. Each firm was evaluated based on the scope of services, industry experience, fee structure, and references from similar clients.
2. **Interviews:** The shortlisted firms were interviewed to further assess their understanding of our business, their approach to auditing, and their ability to provide insights beyond compliance, including recommendations for operational improvements and risk management.
3. **Cost-Benefit Analysis:** A detailed comparison of each firm's pricing and service offerings was conducted, ensuring that we choose a firm offering high value without compromising on quality or expertise.

Recommendation Rationale:

Following the evaluation, we selected Clifton, Larsen, Allen, LLP (CLA) is the most suitable choice for our organization due to the following reasons:

1. **Industry Expertise:** Clifton, Larsen, Allen, LLP (CLA) has significant experience in our sector, with a strong track record of providing audit services to companies similar to ours. Their understanding of the unique regulatory requirements and challenges within our industry will ensure a smooth and efficient audit process.
2. **Comprehensive Service Offering:** Beyond their core audit services, Clifton, Larsen, Allen, LLP (CLA) offers valuable advisory services that can help us improve our internal controls, enhance financial reporting accuracy.



PO Box 470 • 255 Sarazin Street
Shakopee, Minnesota 55379
Main 952.445-1988 • Fax 952.445-7767
www.shakopeeutilities.com

CLA's audit professionals and services have worked well for SPU over the past three years. The staff at CLA has an in-depth understanding of SPU and the reporting requirements. Establishing and maintaining a constructive relationship with auditors not only streamlines the audit process but also reinforces integrity and efficiency.

The attached Statement of Work (SOW) from CLA lays out the fee structure for the next three years. It is recommended that we move forward with another three-year agreement with CLA and then prepare and advertise a Request for Proposal (RFP) in 2027 to compare to the market.

SPU has also had some discussion with City of Shakopee on combining audit services for some efficiencies. This may be a good opportunity in the future to combine audit services, but the timing on this decision is not right for three reasons first I feel it is conflict of interest as they use Abdo for their audit and we use Abdo for some of our finances and consulting services. Second, SPU has a great understanding of what CLA needs for the audit and this process is getting more streamlined each year. Third, I feel having separate audit services is a good thing to make sure SPU is in compliance on all rules for the utility. SPU is looking to contract with CLA for years 2024,2025 and 2026

Requested Action:

The Commission is requested to approve a new 3-year agreement with CLA for 2024, 2025 & 2026.



September 9, 2024

Statement of Work - Audit Services

This agreement constitutes a statement of work ("SOW") under the master service agreement ("MSA") dated December 27, 2022, or superseding MSA, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and Shakopee Public Utilities ("you," "your," or "the entity"). We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services CLA will provide for the entity as of and for the year ended December 31, 2024.

Christopher G. Knopik, CPA, CFE is responsible for the performance of the audit engagement.

Scope of audit services

We will audit the financial statements of the each major fund, which collectively comprise the basic financial statements of Shakopee Public Utilities, and the related notes to the financial statements as of and for the year ended December 31, 2024.

The Governmental Accounting Standards Board (GASB) provides for certain required supplementary information (RSI) to accompany the entity's basic financial statements.

The RSI will be subjected to certain limited procedures, but will not be audited.

We will also evaluate and report on the presentation of the supplementary information other than RSI accompanying the financial statements in relation to the financial statements as a whole.

Nonaudit services

We will also provide the following nonaudit services:

- Preparation of your financial statements and the related notes.
- Preparation of the required supplementary information (RSI).
- Preparation of the supplementary information.

Audit objectives

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the

United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our audit will be conducted in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Our audit will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion.

We will apply certain limited procedures to the RSI in accordance with U.S. GAAS. However, we will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We will also perform procedures to enable us to express an opinion on whether the supplementary information (as identified above) other than RSI accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole.

We will issue a written report upon completion of our audit of your financial statements.

Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue a report, or withdrawing from the engagement.

We will also provide a report (which does not include an opinion) on internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements, as required by *Government Auditing Standards*. The report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the entity is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit conducted in accordance with U.S. GAAS

and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

As part of our audit, we will also perform the procedures and provide the report required by the Minnesota Legal Compliance Audit Guide for Political Subdivisions.

It is our understanding that our auditors' report will be included in your annual report which is comprised of the introductory section and that your annual report will be issued by in conjunction with the auditors' report. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS and the standards for financial audits contained in *Government Auditing Standards*.

Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and evaluate whether audit evidence obtained is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the amounts and disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on our evaluation of audit evidence obtained, whether there are conditions or events,

considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of controls
- Revenue recognition

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not require auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting fraud or errors that are material to the financial statements and to preventing and detecting misstatements resulting from noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. An audit is not designed to provide assurance on internal control or to identify deficiencies, significant deficiencies, or material weaknesses in internal control. However, we will communicate to you in writing significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the entity's compliance with the provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

We will include in our report on internal control over financial reporting and on compliance relevant information about any identified or suspected instances of fraud and any identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements that may have occurred that are required to be communicated under *Government Auditing Standards*.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements and RSI in accordance with U.S. GAAP.

Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date.

You are responsible for the design, implementation, and maintenance of effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities and safeguarding assets to help ensure that appropriate goals and objectives are met. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for implementing systems designed to achieve compliance with applicable laws and regulations and the provisions of contracts and grant agreements; identifying and ensuring that the entity complies with applicable laws, regulations, contracts, and grant agreements; and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered. You are responsible for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we may report.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including amounts and disclosures, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters, and for the accuracy and completeness of that information (including information from within and outside of the general and subsidiary ledgers); (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for the preparation of the supplementary information in accordance with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. You agree to provide us written representations related to the presentation of the supplementary information.

Management is responsible for the preparation of other information included in your annual report. You agree to provide the final version of such information to us in a timely manner, and if possible, prior to the date of our auditors' report. If the other information included in your annual report will not be available until after the date of our auditors' report on the financial statements, you agree to provide written representations indicating that (1) the information is consistent with the financial statements, (2) the other information does not contain material misstatements, and (3) the final version of the documents will be provided to us when available, and prior to issuance of the annual report by the entity, so that we can complete the procedures required by professional standards. Management agrees to correct material inconsistencies that we may identify. You agree to include our auditors' report in any document containing financial statements that indicates that such financial statements have been audited by us.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit and the presentation of the basic financial statements and RSI. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies to us of previous financial audits, attestation engagements, performance audits, or other studies related to

the objectives discussed in the "Audit objectives" section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

Use of financial statements

Should you decide to include or incorporate by reference these financial statements and our auditors' report(s) thereon in a future private placement or other offering of equity or debt securities, you agree that we are under no obligation to re-issue our report or provide consent for the use of our report in such a registration or offering document. We will determine, at our sole discretion, whether we will re-issue our report or provide consent for the use of our report only after we have performed the procedures we consider necessary in the circumstances. If we decide to re-issue our report or consent to the use of our report, we will be required to perform certain procedures including, but not limited to, (a) reading other information incorporated by reference in the registration statement or other offering document and (b) subsequent event procedures. These procedures will be considered an engagement separate and distinct from our audit engagement, and we will bill you separately. If we decide to re-issue our report or consent to the use of our report, you agree that we will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to re-issue our report or decide to withhold our consent to the use of our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our workpapers for those periods, we are under no obligation to permit such access.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the

information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

We will provide copies of our reports to the entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing confidential or sensitive information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the sole and exclusive property of CLA and constitutes confidential and proprietary information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Minnesota Office of the State Auditor, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of CLA personnel. Furthermore, upon request, we may provide copies or electronic versions of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the Minnesota Office of the State Auditor. If we are aware that a federal or state awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity. Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our audit engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific SOW for that service.

Government Auditing Standards require that we make our most recent external peer review report publicly available. The report is posted on our website at www.CLAconnect.com/Aboutus/.

Fees

2024 Financial Statement Audit	\$26,000.00
2025 Financial Statement Audit	\$26,750.00
2026 Financial Statement Audit*	\$27,500.00

*For the December 31, 2026 audit, GASB Statement No. 103 is effective and the specific impact on SPU's financial statements is unknown at this time, there may be additional fees related to the implementation of this standard, if necessary, we will discuss these with management prior to the start of the audit.

The fees above include the 5% technology and client support fee. Our invoices, including applicable state and local taxes, will be rendered each month as work progresses and are payable on presentation.

Unexpected circumstances

We will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Agreement

We appreciate the opportunity to provide the services described in this SOW related to the MSA. All terms and provisions of the MSA shall apply to these services. If you agree with the terms of this SOW, please sign below to indicate your acknowledgement and understanding of, and agreement with, this SOW.

Sincerely,

CliftonLarsonAllen LLP

Response:

This letter correctly sets forth the understanding of Shakopee Public Utilities.

CLA

CliftonLarsonAllen LLP

Christopher G. Knopik

Christopher G. Knopik, Principal

SIGNED 8/29/2024, 8:13:02 AM CDT

Client

Shakopee Public Utilities

SIGN: _____

Justin Krieg, Board President

DATE: _____


Shakopee Public Utilities

SIGN: _____

Greg Drent, General Manager

DATE: _____



To: SPU Commissioners
From: Greg Drent, General Manager 
Date: September 4, 2024
Subject: MMPA August 2024 Meeting Update

The Board of Directors of the Minnesota Municipal Power Agency (MMPA) met on August 27, 2024, at Chaska City Hall in Chaska, Minnesota and via videoconference.

The Board reviewed the Agency's operating and financial performance for July 2024.

Clean Energy Choice program participation increased to 5.7%.

The Board discussed the status of renewable projects the Agency is pursuing.

Thanks

RESOLUTION #2024-27

RESOLUTION OF APPRECIATION
TO GREGORY TRIPLETT

WHEREAS, Mr. Gregory Triplett joined Shakopee Public Utilities on February 2, 2007, and during his tenure of more than seventeen years and five months has worked as a Meter Reader in the Finance Department; and

WHEREAS, Mr. Triplett always strived for excellence in contributing to the efficient operation of Shakopee Public Utilities and has been extremely dependable and responsible in performing his duties; and

WHEREAS, Mr. Triplett retired from his position as a Meter Reader with Shakopee Public Utilities on August 2, 2024; and

NOW THEREFORE, BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, that it does hereby express its sincere and deep appreciation to Mr. Triplett for his seventeen years five months of dedicated service to Shakopee Public Utilities.

BE IT FURTHER RESOLVED that the Shakopee Public Utilities Commission extends its best wishes and congratulations to Mr. Triplett.

Passed in regular session of the Shakopee Public Utilities Commission this 9th day of September 2024.

Commission President: Justin Krieg

ATTEST:

Commission Secretary: Greg Drent

RESOLUTION #2024-28

RESOLUTION OF APPRECIATION
TO CYNTHIA NICKOLAY

WHEREAS, Ms. Cynthia Nickolay joined Shakopee Public Utilities on November 22, 2010, and during her tenure of more than thirteen years and nine months has worked as a Meter Reader in the Finance Department; and

WHEREAS, Ms. Nickolay always strived for excellence in contributing to the efficient operation of Shakopee Public Utilities and has been extremely dependable and responsible in performing his duties; and

WHEREAS, Ms. Nickolay retired from her position as Meter Reader with Shakopee Public Utilities on September 6, 2024; and

NOW THEREFORE, BE IT RESOLVED BY THE SHAKOPEE PUBLIC UTILITIES COMMISSION, that it does hereby express its sincere and deep appreciation to Ms. Nickolay for her thirteen years and nine months of dedicated service to Shakopee Public Utilities.


BE IT FURTHER RESOLVED that the Shakopee Public Utilities Commission extends its best wishes and congratulations to Ms. Nickolay.

Passed in regular session of the Shakopee Public Utilities Commission this 9th day of September 2024.

Commission President: Justin Krieg

ATTEST:

Commission Secretary: Greg Drent

DATE: September 4, 2024
TO: Commissioners
FROM: Greg Drent, General Manager 
Subject: Controlled Substance and Alcohol testing policy

In our ongoing commitment to ensuring a safe, healthy, and productive work environment, we are updating SPU's Controlled Substance and Alcohol Testing Policy effective September 9th, 2024. This policy applies to all employees who operate any licensed SPU owned vehicle or equipment and is designed to maintain the highest standards of safety and well-being in our workplace.

Policy Overview:

1. **Purpose:** The purpose of this policy is to prevent accidents, injuries, and other risks associated with substance and alcohol use. Maintaining a drug-free workplace is essential to ensuring that all employees can perform their duties safely and effectively.
2. **Scope:** This policy applies to all employees, regardless of position or tenure. Testing may be conducted under the following circumstances:
 - **Pre-Employment:** All prospective employees that hold a CDL will undergo drug testing as part of the pre-employment screening process.
 - **Random Testing:** Random drug and alcohol testing will be conducted on a quarterly basis to ensure ongoing compliance.
 - **Reasonable Suspicion:** If there is reasonable suspicion that any employee is under the influence of drugs or alcohol, they may be required to undergo testing.
 - **Post-Accident:** Employees involved in workplace accidents may be required to undergo testing to determine if substance use was a contributing factor.
 - **Return-to-Duty:** Employees returning to work after a violation of this policy will be required to undergo testing.
3. **Prohibited Substances:** The following substances are prohibited under this policy:
 - **Controlled Substances:** Including but not limited to marijuana, cocaine, opioids, amphetamines, and other illegal drugs.
 - **Alcohol:** Employees are prohibited from consuming alcohol during working hours or reporting to work under the influence.
4. **Testing Procedures:**
 - **Testing Methods:** Testing may include urine, blood, breath, or other medically approved methods. All tests will be conducted by certified professionals.

- **Confidentiality:** Test results will be handled with the highest level of confidentiality and shared only with individuals who have a legitimate need to know.
5. **Consequences of Policy Violation:**
- **Positive Test Result:** Any employee who tests positive for controlled substances or alcohol will be subject to disciplinary action, up to and including termination.
 - **Refusal to Test:** Refusal to undergo testing will be treated as a violation of this policy and may result in disciplinary action.
 - **Rehabilitation:** Employees who test positive may be offered the opportunity to participate in a rehabilitation program as a condition of continued employment.
6. **Employee Assistance:** We understand that substance abuse is a serious issue, and we are committed to supporting employees who seek help. Our Employee Assistance Program (EAP) is available to provide confidential counseling and support for those struggling with substance use.

Next Steps:

We will be conducting informational sessions to explain this policy in detail and answer any questions you may have. Attendance at these sessions is mandatory for all employees who operate SPU equipment.

The first attachment is the redline version of SPU current CDL drivers' policy.
The second is a clean version.
The third is a new policy for non-CDL drivers.

Request: Approve Controlled Substance & Alcohol testing policies.



Personnel Policies

DRUG CONTROLLED SUBSTANCE & ALCOHOL **TESTING FOR CDL DRIVERS**

Effective: **6/9/2023**

Drug Controlled Substance & Alcohol Testing Program for CDL Holders

Shakopee Public Utilities employees who are required to hold a CDL for their job are subject to the policy below.

Shakopee Public Utilities Drug Controlled Substance and Alcohol Program follows a compliance guide made up of a Consortium the with Minnesota Municipal Utilities Association (MMUA). All CDL license holders are required to register with the Federal Motor Carriers Safety Administration (FMCSA) as required by law.

1. Types of Testing. All employees with CDL license are subject to Controlled Substance and Alcohol testing in the following circumstances
 - a. Job Applicant Testing. Shakopee Public Utilities requires all applicants who have received conditional offers of employment and hold a CDL license to undergo drug and alcohol testing. If the offer of conditional employment is subsequently withdrawn, SPU will notify the applicant of the reason for the withdrawal.
 - b. Random Testing. An employee in a position in which impairment caused by controlled substance or alcohol usage would threaten the health or safety of any person may be required to undergo random controlled substance and alcohol testing. In addition, quarterly random tests are required by Federal Law and SPU's policy.
 - c. Reasonable Suspicion Testing. Any employee may be required to undergo controlled substance and alcohol testing if there is a reasonable suspicion that the employee: (a) is under the influence of controlled substance or alcohol; or (b) has engaged in the use, possession, sale, or transfer of drugs or alcohol while the employee is working or while the employee is on SPU property or operating a Utility vehicle, machinery or equipment; or (c) has sustained a personal injury arising out of and in the course of employment, or caused another person to sustain a personal injury; or (d) has caused a work-related accident or was operating or helping to operate machinery, equipment, or vehicles involved in a work-related accident.
 - d. Treatment Program Testing. Any employee may be required to undergo controlled substance and alcohol testing if the employee has been referred by SPU for chemical dependency treatment or evaluation or is participating in a chemical dependency treatment program under SPU's insurance, in which case the employee may be requested or required to undergo controlled substance or alcohol testing without prior notice during the evaluation or treatment period

and for a period of up to two years following completion of any prescribed chemical dependency treatment program.

2. **Testing Procedure.** Any department head or the General Manager may order controlled substance and alcohol testing. Before undergoing controlled substance or alcohol testing, the employee shall complete a form (1) acknowledging that the employee has been given a copy of SPU's drug controlled substance and alcohol policy, and (2) indicating consent to undergo the controlled substance and alcohol testing.
3. **Testing Laboratory.** A laboratory meeting all requirements of state law, including those set forth in Minn. Stat. Sec. 181.953, shall handle all controlled substance and alcohol testing.
4. **Test Results.** Within three days of obtaining the final test results, the testing laboratory shall provide SPU with a written report indicating the drug(s), alcohol or their metabolites tested for, the types of tests conducted, and whether the test produced negative or positive results.

Within three working days after receipt of the test result report, SPU shall inform the employee in writing of a negative test result on an initial screening test, or of a negative or positive test result on a confirmatory test.

5. **Rights of Employees and Job Applicants.** Employees and applicants have a right to request and receive a copy of the test result report. If an employee or applicant test positive for drug use, SPU will give written notice of the right to explain the positive test.

Within three working days after notice of a positive test result on a confirmatory test, the employee or applicant may submit information to SPU to explain that result or may, within five working days after notice of the positive test result, request a confirmatory retest at the employee's or the applicant's own expense. If the confirmatory retest does not confirm the original positive test result, SPU will not take any adverse personnel action against the employee or applicant based on the original confirmatory test and will reimburse the employee for the expense of the retest.

6. **Consequences for Refusal to Test.** Employees and job applicants have the right to refuse to undergo drug and alcohol testing. However, failure to comply with SPU's drug controlled substance and alcohol policy, and refusal to take a drug and alcohol test upon request shall subject and employee to discipline, including discharge. If an applicant refuses to test, the job offer will immediately be withdrawn.
7. **Discipline.** An employee who has a positive test result on a confirmatory test, when this is the first such result for the employee, will be subject to discipline but

shall not be discharged unless (1) the employee has been given an opportunity to participate in either a controlled substance or alcohol counseling or rehabilitation program, whichever is more appropriate, as determined by SPU after consultation with a certified chemical use counselor or a physician trained in the diagnosis and treatment of chemical dependency, and (2) the employee has either refused to participate in the counseling or rehabilitation program or has failed to successfully complete the program as evidenced by withdrawal from the program before its completion or a positive test result on a confirmatory test after completion of the program.

An employee that tests positive for a 2nd time or gets a 2nd DWI will automatically have their employment terminated.

Participation in the specified program will be at the employee's own expense or pursuant to coverage under SPU's insurance. All other employees obtaining a positive test result will be subject to discipline including discharge.

8. Classification of Data. Test result reports are private data on individuals as defined by Minnesota Statutes Chapter 13.

Commented [BF1]: This should be removed and included in separate DAT policy with all other requirements of such policy.

EMPLOYEE ACKNOWLEDGEMENT OF DRUG CONTROLLED SUBSTANCE & ALCOHOL TESTING POLICY FOR CDL HOLDERS.

I hereby acknowledge that I have received a copy of Shakopee Public Utilities' Drug Controlled Substance & Alcohol Testing Policy. I understand that the contents of this Drug Controlled Substance and Alcohol Testing policy is for general information and guidance, and it does not constitute a contract. I further understand that all contents in this Drug Controlled Substance & Alcohol Testing Policy are subject to change in accordance with applicable laws, but employees will be advised of any changes.

I have entered into my employment relationship with Shakopee Public Utilities voluntarily and acknowledge that there is no specified length of employment. Employees have the right to terminate the employment relationship with Shakopee Public Utilities at any time, with or without notice, for any reason. With the exception of qualified veterans, Shakopee Public Utilities has the same right to terminate the employment relationship at any time, with or without notice, for any reason not prohibited by law. Shakopee Public Utilities retains sole discretion to add, delete, or change anything contained in this Drug Controlled Substance and Alcohol Testing policy except employment-at-will.

I understand and agree that no employee or representative of Shakopee Public Utilities has the authority, at present or in the future, to promise me any benefit or make any agreement with me, oral or written, which in any way conflicts with this Drug Controlled Substance & Alcohol Testing policy or any of these statements, and that no person other than the General Manager has the authority to change any policy, benefit, rule or procedure as stated in this Drug Controlled Substance and Alcohol Testing policy.

I understand it is my responsibility to read and understand the contents of this Utilitiesy Drug Controlled Substance and Alcohol Testing Policy. If I do not understand any provision of the book, I shall contact my Department Head or Human Resources for clarification.

I agree to return this Drug Controlled Substance and Alcohol Testing Policy to Shakopee Public Utilities upon my separation from employment.

Employee Signature _____

Print Name _____

Date _____

Note: Employees will be required to acknowledge receipt of the Employee Drug Controlled Substance and Alcohol Testing policy by signing this acknowledgement.

- This copy is to be removed and placed in the employee's personnel file -



Personnel Policies

CONTROLLED SUBSTANCE & ALCOHOL TESTING FOR CDL DRIVERS

Effective: 9/9/2024

Controlled Substance & Alcohol Testing Program for CDL Holders

Shakopee Public Utilities employees who are required to hold a CDL for their job are subject to the policy below.

Shakopee Public Utilities Controlled Substance and Alcohol Program follows a compliance guide made up of a Consortium the with Minnesota Municipal Utilities Association (MMUA). All CDL license holders are required to register with the Federal Motor Carriers Safety Administration (FMCSA) as required by law.

1. Types of Testing. All employees with CDL license are subject to Controlled Substance and Alcohol testing in the following circumstances
 - a. Job Applicant Testing. Shakopee Public Utilities requires all applicants who have received conditional offers of employment and hold a CDL license to undergo drug and alcohol testing. If the offer of conditional employment is subsequently withdrawn, SPU will notify the applicant of the reason for the withdrawal.
 - b. Random Testing. An employee in a position in which impairment caused by controlled substance or alcohol usage would threaten the health or safety of any person may be required to undergo random controlled substance and alcohol testing. In addition, quarterly random tests are required by Federal Law and SPU's policy.
 - c. Reasonable Suspicion Testing. Any employee may be required to undergo controlled substance and alcohol testing if there is a reasonable suspicion that the employee: (a) is under the influence of controlled substance or alcohol; or (b) has engaged in the use, possession, sale, or transfer of drugs or alcohol while the employee is working or while the employee is on SPU property or operating a Utility vehicle, machinery or equipment; or (c) has sustained a personal injury arising out of and in the course of employment, or caused another person to sustain a personal injury; or (d) has caused a work-related accident or was operating or helping to operate machinery, equipment, or vehicles involved in a work-related accident.
 - d. Treatment Program Testing. Any employee may be required to undergo controlled substance and alcohol testing if the employee has been referred by SPU for chemical dependency treatment or evaluation or is participating in a chemical dependency treatment program under SPU's insurance, in which case the employee may be requested or required to undergo controlled substance or alcohol testing without prior notice during the evaluation or treatment period and for a period of up to two years following completion of any prescribed chemical dependency treatment program.

2. **Testing Procedure.** Any department head or the General Manager may order controlled substance and alcohol testing. Before undergoing controlled substance or alcohol testing, the employee shall complete a form (1) acknowledging that the employee has been given a copy of SPU's controlled substance and alcohol policy, and (2) indicating consent to undergo the controlled substance and alcohol testing.
3. **Testing Laboratory.** A laboratory meeting all requirements of state law, including those set forth in Minn. Stat. Sec. 181.953, shall handle all controlled substance and alcohol testing.
4. **Test Results.** Within three days of obtaining the final test results, the testing laboratory shall provide SPU with a written report indicating the drug(s), alcohol or their metabolites tested for, the types of tests conducted, and whether the test produced negative or positive results.

Within three working days after receipt of the test result report, SPU shall inform the employee in writing of a negative test result on an initial screening test, or of a negative or positive test result on a confirmatory test.

5. **Rights of Employees and Job Applicants.** Employees and applicants have a right to request and receive a copy of the test result report. If an employee or applicant test positive for drug use, SPU will give written notice of the right to explain the positive test.

Within three working days after notice of a positive test result on a confirmatory test, the employee or applicant may submit information to SPU to explain that result or may, within five working days after notice of the positive test result, request a confirmatory retest at the employee's or the applicant's own expense. If the confirmatory retest does not confirm the original positive test result, SPU will not take any adverse personnel action against the employee or applicant based on the original confirmatory test and will reimburse the employee for the expense of the retest.

6. **Consequences for Refusal to Test.** Employees and job applicants have the right to refuse to undergo drug and alcohol testing. However, failure to comply with SPU's controlled substance and alcohol policy, and refusal to take a drug and alcohol test upon request shall subject and employee to discipline, including discharge. If an applicant refuses to test, the job offer will immediately be withdrawn.
7. **Discipline.** An employee who has a positive test result on a confirmatory test, when this is the first such result for the employee, will be subject to discipline but shall not be discharged unless (1) the employee has been given an opportunity to participate in either a controlled substance or alcohol counseling or rehabilitation program, whichever is more appropriate, as determined by SPU

after consultation with a certified chemical use counselor or a physician trained in the diagnosis and treatment of chemical dependency, and (2) the employee has either refused to participate in the counseling or rehabilitation program or has failed to successfully complete the program as evidenced by withdrawal from the program before its completion or a positive test result on a confirmatory test after completion of the program.

An employee that tests positive for a 2nd time or gets a 2nd DWI will automatically have their employment terminated.

Participation in the specified program will be at the employee's own expense or pursuant to coverage under SPU's insurance. All other employees obtaining a positive test result will be subject to discipline including discharge.

8. Classification of Data. Test result reports are private data on individuals as defined by Minnesota Statutes Chapter 13.

EMPLOYEE ACKNOWLEDGEMENT OF CONTROLLED SUBSTANCE & ALCOHOL TESTING POLICY FOR CDL HOLDERS.

I hereby acknowledge that I have received a copy of Shakopee Public Utilities' Controlled Substance & Alcohol Testing Policy. I understand that the contents of this Controlled Substance and Alcohol Testing policy is for general information and guidance, and it does not constitute a contract. I further understand that all contents in this Controlled Substance & Alcohol Testing Policy are subject to change in accordance with applicable laws, but employees will be advised of any changes.

I have entered into my employment relationship with Shakopee Public Utilities voluntarily and acknowledge that there is no specified length of employment. Employees have the right to terminate the employment relationship with Shakopee Public Utilities at any time, with or without notice, for any reason. With the exception of qualified veterans, Shakopee Public Utilities has the same right to terminate the employment relationship at any time, with or without notice, for any reason not prohibited by law. Shakopee Public Utilities retains sole discretion to add, delete, or change anything contained in this Controlled Substance and Alcohol Testing policy except employment-at-will.

I understand and agree that no employee or representative of Shakopee Public Utilities has the authority, at present or in the future, to promise me any benefit or make any agreement with me, oral or written, which in any way conflicts with this Controlled Substance & Alcohol Testing policy or any of these statements, and that no person other than the General Manager has the authority to change any policy, benefit, rule or procedure as stated in this Controlled Substance and Alcohol Testing policy.

I understand it is my responsibility to read and understand the contents of this Utilities Controlled Substance and Alcohol Testing Policy. If I do not understand any provision of the book, I shall contact my Department Head or Human Resources for clarification.

I agree to return this Controlled Substance and Alcohol Testing Policy to Shakopee Public Utilities upon my separation from employment.

Employee Signature _____

Print Name _____

Date _____

Note: Employees will be required to acknowledge receipt of the Employee Controlled Substance and Alcohol Testing policy by signing this acknowledgement.

- This copy is to be removed and placed in the employee's personnel file -



Personnel Policies

CONTROLLED SUBSTANCE, ALCOHOL TESTING AND DRUG-FREE WORKPLACE ACT POLICY FOR NON- COMMERCIAL DRIVERS (NON-CDL) WHO USE SPU LICENSED VEHICLES

Effective: 9/9/2024

Shakopee Public Utilities

Controlled Substance and Alcohol Testing and Drug-Free Workplace Act Policy for Non-Commercial Drivers (Non-DOT)

Purpose and Objectives

Shakopee Public Utilities has a vital interest in maintaining safe, healthful, and efficient working conditions for employees, and recognizes that individuals who are impaired because of drugs and/or alcohol jeopardize the safety and health of other workers as well as themselves. SPU does not intend to intrude into the private lives of its employees, but strongly believes that a drug- and alcohol-free workplace is in the best interest of employees and the public alike. Alcohol and drug abuse can cause unsatisfactory job performance, increased tardiness and absenteeism, increased accidents and workers' compensation claims, higher insurance rates, and an increase in theft of property. SPU's Controlled Substance and Alcohol Testing Non-DOT policy has been established for the purpose of providing a safe workplace for all.

SPU employees and applicants required to hold a commercial driver's license by the United States Department of Transportation ("DOT") for their job will be tested under SPU's Policy on Controlled Substance and Alcohol Testing for Commercial Drivers (the "DOT Policy"). All other employees and job applicants offered employment with SPU must undergo testing as described by this policy.

To ensure the policy is clearly communicated to all employees and applicants to whom offers of employment have been made, and to comply with state law, employees and applicants are required to review this policy and sign the "policy acknowledgement." A job applicant will also acknowledge in this form that he/she understands that passing the drug test is a requirement of the job.

Persons Subject to Testing and Circumstances Under Which Testing May Be Required

Under this policy, SPU may test any applicant to whom an offer of employment has been made and may test any employee for alcohol and/or drugs under any of the following circumstances with a properly accredited or licensed testing laboratory, in accordance with Minn. Stat. § 181.953, subd. 1.

(1) Pre-Employment Testing:

If your job allows/requires you to drive any SPU vehicle, then you must have a valid driver's license. Some job applicants offered employment with SPU receive the offer conditioned upon successful completion of an alcohol and/or drug test, among other conditions. If the job offer is withdrawn based on alcohol and/or drug test results, SPU will inform the applicant of the reasons for the withdrawal. A failure of the alcohol and/or drug test, a refusal to take the test, or failure to meet other conditions of the offer will result in a withdrawal of the offer of employment even if the applicant's provisional employment has begun. A negative or positive dilute test result (following a second collection), which has been confirmed, will also result in immediate withdrawal of an offer of employment to an applicant.

Temporary and seasonal employees are subject to this policy except for those designated by the hiring department as safety-sensitive positions.

(2) Reasonable Suspicion Testing:

Consistent with Minn. Stat. § 181.951, subd. 3, employees will be subject to alcohol and/or drug testing when reasonable suspicion exists to believe that the employee:

- Is under the influence of alcohol or a drug; or
- Has violated written work rules prohibiting the use, possession, sale or transfer of drugs or alcohol while working, while on SPU property, or while operating SPU vehicles, machinery or any other type of equipment; or
- Has sustained a personal injury as defined in Minn. Stat. § 176.011, subd. 16 or has caused another employee to sustain an injury or;
- Has caused a work-related accident or was operating or helping to operate machinery, equipment, or vehicles involved in a work-related accident.

Reasonable suspicion may be based upon, but is not limited to, facts regarding appearance, behavior, speech, breath, odor, possession, proximity to or use of alcohol or drugs or containers or paraphernalia, poor safety record, excessive absenteeism, impairment of job performance, or any other circumstances that would cause a reasonable employer to believe that a violation of the SPU's policies concerning alcohol or drugs may have occurred. These observations will be reflected in writing on a Reasonable Suspicion Record Form.

For off-site collection, employees will be driven to the employer-approved medical facility by their supervisor or a designee. For an on-site collection service, the employee will remain on site and be observed by the supervisor or designee. The medical facility or on-site collection service will take the urine or blood sample and will forward the sample to an approved laboratory for testing.

Pursuant to the requirements of the Drug-Free Workplace Act of 1988, all SPU employees, as a condition of continued employment, will agree to abide by the terms of this policy and must notify [Human Resources/General Manager] of any criminal drug statute conviction for a violation occurring in the workplace not later than five days after such conviction. If required by law or government contract, SPU will notify the appropriate federal agency of such conviction within 10 days of receiving notice from the employee.

(3) Treatment Program Testing:

In accordance with Minn. Stat. § 181.951, subd. 6., SPU may request or require an employee to undergo drug and alcohol testing if the employee has been referred by SPU for chemical dependency treatment or evaluation or is participating in a chemical dependency treatment program under an employee benefit plan. In such a case, the employee may be requested or required to undergo drug or alcohol testing without prior notice during the evaluation or treatment period and for a period of up to two years following completion of any prescribed chemical dependency treatment program.

(1) Random Testing:

In accordance with Minn. Stat. § 181.951, subd. 4, SPU may require an employee to submit to random testing if the employee is in a safety-sensitive position.

Right of Refusal:

Employees and job applicants have the right to refuse to submit to an alcohol and/or drug test under this policy. However, such a refusal will subject an employee to immediate termination. If an applicant refuses to submit to applicant testing, any conditional offer of employment will be withdrawn.

Any intentional act or omission by the employee or applicant that prevents the completion of the testing process constitutes a refusal to test.

An applicant or employee who substitutes, or attempts to substitute, or alters, or attempts to alter a testing sample is considered to have refused to take a drug and/or alcohol test. In such a case, the employee is subject to immediate termination of employment, and in the case of an applicant, the job offer will be immediately withdrawn.

Refusal on Religious Grounds:

An employee or job applicant who, on religious grounds, refuses to undergo drug and/or alcohol testing of a blood sample will not be considered to have refused testing, unless the employee or job applicant also refuses to undergo drug and/or alcohol testing of a urine sample.

Cost of Required Testing:

SPU will pay for the cost of all drug and/or alcohol testing requested or required of all job applicants and employees, except for confirmatory retests. Job applicants and employees are responsible for paying for all costs associated with any requested confirmatory retests.

Prohibition against Drugs and Alcohol

Use and Possession of Alcohol or Drug(s):

Employees are prohibited from the use, possession, transfer, transportation, manufacture, distribution, sale, purchase, solicitation to sell or purchase, or dispensation of alcohol, drugs, or drug paraphernalia while on duty; on SPU premises; while operating any SPU vehicle, machinery, or equipment; or when performing any SPU business, except (1) pursuant to a valid medical prescription used as properly instructed; (2) the use of over-the-counter drugs used as intended by the manufacturer; or (3) when necessary for approved law enforcement activity.

Besides having a zero-tolerance policy for the use or possession of alcohol, illegal drugs, or misused prescription drugs on the worksite, we also prohibit the use, possession of, impairment by any cannabis or medical cannabis products (e.g., hash oils, edibles or beverages containing cannabinoids, or pills) on the worksite by a person working as an employee at SPU or while “on call” and subject to return to work. Having a medical marijuana card, patient registry number, and/or cannabis prescription from a physician does not allow anyone to use, possess, or be impaired by that drug here. Likewise, the fact that cannabinoids may be lawfully purchased and consumed in some circumstances does not permit anyone to use, possess, or be impaired by them here. The federal government still classifies cannabis as an illegal drug, even though some states,

including Minnesota, have decriminalized its possession and use in certain circumstances. There is no acceptable concentration of marijuana metabolites in the blood or urine of an employee who operates our equipment or vehicles or who is on one of our worksites. Applicants and employees are still subject to being tested under our drug and alcohol testing policy. And employees are subject to being disciplined, suspended, or terminated after testing positive for cannabis if the employee used, possessed, or was impaired by cannabis, including medical cannabis, while on the premises of the place of employment or during the hours of employment.

While Impaired of Alcohol or Drug(s):

Employees are prohibited from being under the influence of alcohol or drugs or having a detectable amount of an illegal drug in the blood or urine when reporting for work; while on duty; is on SPU premises; while operating any SPU vehicle, machinery, or equipment; or when performing any SPU business, except (1) pursuant to a valid medical prescription used as properly instructed; or (2) the use of over-the-counter drug used as intended by the manufacturer.

Driving While Impaired:

A conviction of driving while impaired in a SPU-owned vehicle at any time during business or non-business hours, or in an employee-owned vehicle while conducting SPU business, may result in discipline, up to and including discharge.

Criminal Drug Convictions:

Any employee convicted of any criminal drug statute must notify his or her supervisor [and SPU's Human Resources and/or General Manager] in writing of such conviction no later than five days after such conviction. Within 30 days after receiving notice from an employee of a drug-related conviction, SPU will take appropriate personnel action against the employee up to and including discharge or require the employee to satisfactorily participate in a drug abuse assistance or rehabilitation program as an alternative to termination. If the event notice is not provided to the supervisor and the employee is deemed to be incapable of working safely, the employee will not be permitted to work and will be subject to disciplinary action, including dismissal from employment. In accordance with the Federal Drug-Free Workplace Act of 1988, if SPU is receiving federal grants or contracts of over \$25,000, SPU will notify the appropriate federal agency of such conviction within 10 days of receiving notice from the employee.

Failure to Disclose Lawful Drugs:

Employees taking a lawful drug, including prescription and over-the-counter drugs, which may impair their ability to perform their job responsibilities or pose a safety risk to themselves or others, must advise their supervisor of this before beginning work. It is the employee's responsibility to seek out written information from his/her physician or pharmacist regarding medication and any job performance impairment and relay that information to his/her supervisor. In the event of such a disclosure, the employee will not be authorized to perform safety-sensitive functions.

Review and Notification of Test Results

Notification of Negative Test Results:

In the case of job applicants and in accordance with Minn. Stat. § 181.953, (Human Resources) will notify a job applicant of a negative drug result within three days of receipt of result by SPU, and the hiring process will resume. In accordance with Minn. Stat. § 181.953, subd. 3, a laboratory must report results to SPU within three working days of the confirmatory test result. A “Negative Test Results Notification” form will be sent to the job applicant, and the job applicant may request a copy of the test result report from (Human Resources).

In the case of current employees and in accordance with Minn. Stat. § 181.953, (Human Resources) will notify the employee of a negative drug and/or alcohol result within three days of receipt of result by SPU. A “Negative Test Results Notification” form will be sent to the employee, and he or she may request a copy of the test result report from (Human Resources/General Manager).

Notification of Positive Test Results:

In the event of a confirmed positive blood or urine alcohol and/or drug test result, SPU will notify the employee of a positive drug and/or alcohol result within three days of receipt of the result. (Human Resources/The General Manager) will send to the employee or job applicant a “Positive Test Results Notification” letter containing further instructions. The employee or job applicant may contact Human Resources to request a copy of the test result report if desired. In accordance with Minn. Stat. § 181.953, subd. 3, a laboratory must report results to SPU within three working days of the confirmatory test result.

Right to Provide Information after Receiving Test Results:

Within three working days after notice of a positive drug or alcohol test result on a confirmatory test, the employee or job applicant may submit information to SPU to explain the positive result. In accordance with Minn. Stat. § 181.953, subd. 10, if an employee submits information either before a test or within three working days after a positive test result that explains the positive test result, (such as medications the employee is taking), SPU will not take an adverse employment action based on that information unless the employee has already been under an affirmative duty to provide the information before, upon, or after hire.

Right to Confirmatory Retest:

A job applicant or employee may request a confirmatory retest of the original sample at the job applicant’s or employee’s own expense after notice of a positive test result on a confirmatory test. Within five working days after notice of the confirmatory test result, the job applicant or employee must notify SPU in writing of the job applicant’s or employee’s intention to obtain a confirmatory retest. Within three working days after receipt of the notice, SPU will notify the original testing laboratory that the job applicant or employee has requested the laboratory to conduct the confirmatory retest or transfer the sample to another qualified laboratory licensed to conduct the confirmatory retest. The original testing laboratory will ensure the control and custody procedures are followed during transfer of the sample to the other laboratory. In accordance with Minn. Stat. § 181.953, subd. 3, the laboratory is required to maintain all samples

testing positive for a period of six months. The confirmatory retest will use the same drug and/or alcohol threshold detection levels as used in the original confirmatory test.

In the case of job applicants, if the confirmatory retest does not confirm the original positive test result, SPU's job offer will be reinstated, and SPU will reimburse the job applicant for the actual cost of the confirmatory retest. In the case of employees, if the confirmatory retest does not confirm the original positive test result, no adverse personnel action based on the original confirmatory test will be taken against the employee, the employee will be reinstated with any lost wages or salary for time lost pending the outcome of the confirmatory retest result, and SPU will reimburse the employee for the actual cost of the confirmatory retest.

Access to Reports:

In accordance with Minn. Stat. § 181.953, subd. 10, an employee will have access to information contained in his or her personnel file relating to positive test results and to the testing process, including all information gathered as part of that process.

Dilute Specimens:

A negative or positive dilute test result (following a second collection) which has been confirmed will subject an employee to immediate termination.

Consequences for Employees Engaging in Prohibited Conduct

Job Applicants:

SPU's conditional offer of employment will be withdrawn from any job applicant who refuses to be tested or tests positive for illegal drugs as verified by a confirmatory test.

Employees:

- No Adverse Action without Confirmatory Test. SPU will not discharge, discipline, discriminate against, or request or require rehabilitation of an employee based on a positive test result from an initial screening test that has not been verified by a confirmatory test.
- Suspension Pending Test Result. SPU may temporarily suspend a tested employee with or without pay or transfer that employee to another position at the same rate of pay pending the outcome of the requested confirmatory retest, provided SPU believes that it is reasonably necessary to protect the health or safety of the employee, co-employees, or the public. The employee will be asked to return home and will be provided appropriate arrangements for return transportation to his or her residence. In accordance with Minn. Stat. § 181.953, subd. 10, an employee who has been suspended without pay will be reinstated with back pay if the outcome of the requested confirmatory retest is negative.

Discipline and Discharge:

Confirmatory Positive Test Result:

SPU will not discharge an employee for a first confirmatory positive test unless the following conditions have been met:

- SPU has first given the employee an opportunity to participate in either a drug or alcohol counseling or rehabilitation program, whichever is more appropriate, as determined by SPU after consultation with a certified chemical use counselor or physician trained in the

diagnosis and treatment of chemical dependency. Participation by the employee in any recommended substance abuse treatment program will be at the employee's own expense or pursuant to the coverage under an employee benefit plan. The certified chemical use counselor or physician trained in the diagnoses and treatment of chemical dependency will determine if the employee has followed the rehabilitation program as prescribed; and

- The employee has either refused to participate in the counseling or rehabilitation program or has failed to successfully complete the program, as evidenced by withdrawal from the program before its completion or by a refusal to test or positive test result on a confirmatory test after completion of the program.

Other Misconduct:

Nothing in this policy limits the right of SPU to discipline or dismiss an employee on grounds other than a positive confirmatory test result, including conviction of any criminal drug statute for a violation occurring in the workplace or violation of other SPU personnel policies.

Emergency Call Back to Work Provisions:

If an employee is called out for a SPU emergency and he or she reports to work and is suspected of being under the influence of drugs or alcohol, he or she will not be subject to the testing procedures of this policy but may be subject to discipline and will not be allowed to work. Appropriate arrangements for return transportation to the employee's residence will be made. It is the sole responsibility of the employee who is under the influence of alcohol and/or drugs and who is called out for a SPU emergency, to notify his or her supervisor of this information and advise if he or she is unable to respond to the emergency call back.

Non-Discrimination

SPU policy on work-related substance abuse is non-discriminatory in intent and application; however, in accordance with Minn. Stat., Ch. 363, disability does not include conditions resulting from alcohol or other drug abuse which prevents an employee from performing the essential functions of the job in question or constitutes a direct threat to property or the safety of individuals.

Furthermore, SPU will not retaliate against any employee for asserting his or her rights under this policy.

SPU's Employee Assistance Program

SPU has in place a formal employee assistance program to assist employees in addressing serious personal or work-related problems at any time. SPU's EAP provides confidential, cost-free, short-term counseling to employees and their families. Employees who may have an alcohol or other drug abuse problem are encouraged to seek assistance before a problem affects their employment status. Employee assistance program services are available by contacting the Human Resource Dept.

Policy Contact for Additional Information

If you have any questions about this policy or SPU's drug and alcohol testing procedures, you may contact your immediate supervisor, (*Human Resources*), or the (*General Manager*) to obtain additional information.

By this policy, SPU has established a drug-free awareness program to inform employees about the dangers of drug abuse in the workplace and its policy of maintaining a drug-free workplace. Each SPU employee will receive a copy of this policy and will be required to read it.

Definitions

Alcohol: Means the intoxicating agent in beverage alcohol or any low molecular weight alcohols such as ethyl, methyl, or isopropyl alcohol. The term includes but is not limited to beer, wine, spirits, and medications such as cough syrup that contain alcohol.

Alcohol use or usage: Means the consumption of any beverage, mixture, or preparation, including any medication, containing alcohol.

Applicant: Means a person applying for a job with SPU.

SPU premises: Means, but is not limited to, all SPU job sites and work areas. For the purposes of this policy, SPU premises also includes any other locations or modes of transportation to and from those locations while in the course and scope of employment of the SPU.

SPU vehicle: Means any vehicle which employees are authorized to use solely for SPU business when used at any time; or any vehicle owned or leased by SPU when used for SPU business.

Collection site: Means a place designated by SPU where job applicants and employees present themselves for the purpose of providing a specimen of their breath, urine, and/or blood to be analyzed for the presence of drugs and alcohol.

Confirmatory test: Means a drug and/or alcohol test on a sample to substantiate the results of a prior drug and/or alcohol test on the same sample, and that uses a method of analysis allowed under one of the programs listed in Minn. Stat. § 181.953, subd. 1.

Drug: Includes any "controlled substance" as defined in Minn. Stat. § 152.01, subd. 4, and also includes all cannabinoids, including those that are lawfully available for public consumption that do not otherwise qualify as being a "controlled substance" as defined in Minn. Stat. § 152.01, subd. 4.

Drug and/or alcohol testing, and drug and/or alcohol test: Mean analysis of a body component sample according to the standards established under one of the programs listed in Minn. Stat. § 181.953, subd.1, for the purpose of measuring their presence or absence of drugs, alcohol, or their metabolites in the sample tested.

Drug paraphernalia: Has the meaning set forth in Minn. Stat. § 152.01, subd. 18.

Employee: Means a person who performs services for compensation for SPU and includes independent contractors except where specifically noted in this policy.

Initial screening test: Means a drug and/or alcohol test that uses a method of analysis under one of the programs listed in Minn. Stat. § 181.953, subd. 1.

Job applicant: Means a person who applies to become an employee of SPU and includes a person who has received a job offer made contingent on the person passing drug testing.

Positive test result: Means a finding of the presence of alcohol, drugs, or their metabolites that exceeds the cutoff levels established by SPU. Minimum threshold detection levels are subject to change as determined in SPU sole discretion.

Random selection basis: Means a mechanism for selection of employees that (1) results in an equal probability that any employee from a group of employees subject to the selection mechanism will be selected, and (2) does not give an employer discretion to waive the selection of any employee selected under the mechanism.

Reasonable suspicion: Means a basis for forming a belief based on specific facts and rational inferences drawn from those facts.

Safety-sensitive position: Means a job, including any supervisory or management position, in which an impairment caused by drug and/or alcohol usage would threaten the health or safety of any person.

Under the influence: Means (1) the employee tests positive for alcohol or drugs, or (2) the employee's actions, appearance, speech, and/or bodily odors reasonably cause SPU to conclude that the employee is impaired because of illegal drug use or alcohol use.

SHAKOPEE PUBLIC UTILITIES EMPLOYEE AND APPLICANT
NOTIFICATION OF CONTROLLED SUBSTANCE AND ALCOHOL TESTING CONSENT FORM FOR NON-
COMMERICAL DRIVERS (NON-DOT)

I acknowledge that I have received and understand SPU'S Controlled Substance and Alcohol Testing for NON-COMMERICAL Drivers (NON-DOT) Policy.

I agree to comply with SPU'S policy on controlled substance and/or alcohol and understand failure to comply is grounds for disciplinary action, up to and including termination. As an applicant.

I hereby consent to undergo controlled substance and/or alcohol testing pursuant to said policy, and I authorize collection of a urine and/or breath sample from me for these purposes.

I understand that the procedure employed in this process will ensure the integrity of the sample and is designed to comply with medical and legal requirements.

I consent to the release of the controlled substance and/or alcohol test results in accordance with the SPU'S Controlled Substance and Alcohol Testing (NON-DOT) Policy to the selected Medical Review Officer (MRO), and within SPU'S on a need-to-know basis, and to additional parties in accordance with written authorization or as otherwise required by applicable or state law.

I further understand that the results of this testing may affect my employment status, as described in the policy as well as federal law updates, as applicable.

In the event of a post-accident test, the controlled substance and/or alcohol test result(s) may also be provided to the workers' compensation insurance carrier.

Signature of Applicant/Employee

Signature of Witness

Date

Date

Drug Screening Refusal of Consent

I hereby refuse to submit to the drug and alcohol testing process.

I have seen a copy of SPU'S Controlled Substance and Alcohol Testing for NON- Commercial Drivers (NON-DOT) Policy and understand that, if I am an applicant, my refusal to submit to testing will subject me to withdrawal of SPU'S conditional offer of employment, and if I am an employee, my refusal to submit to testing will subject me to disciplinary proceedings including, but not limited to, employment discharge.

Signature of Applicant/Employee

Signature of Witness

Date

If employee refuses to sign, indicate "Refused to sign".