

**MINUTES OF THE DELANO WATER, LIGHT AND POWER COMMISSION
CITY OF DELANO, COUNTY OF WRIGHT, STATE OF MINNESOTA
WITH ALL ACCOUNTS BEING AUDITED BY SAID COMMISSION
Monday, November 21st, 2011**

1. CALL TO ORDER

The meeting was called to order by Chairman Larry Bartels.

2. ROLL CALL

Roll call was taken and a quorum established

Members Present:	Larry Bartels, Chairman Bob Hutter, Commissioner Randy Keranen, Commissioner Jonathan Ness, Commissioner Derek Schansberg, Commissioner
Also Present:	Hal Becker, General Manager Aimee Dreger, Recorder

3. AGENDA

A. There was a motion by Bob Hutter with a second by Jonathan Ness to approve the agenda with 9E removed for a later date.

Motion Carried

4. MINUTES

A. There was a motion by Derek Schansberg with a second by Randy Keranen to approve the minutes of the regular meeting conducted on October 24th, 2011.

Motion Carried

5. POWER COST ADJUSTMENT

The Power Cost Adjustment is a negative for the month of November due in part to lower wholesale costs and the transmission credits we are now receiving as revenue.

A. There was a motion made by Jonathan Ness with a second by Derek Schansberg to approve the power cost adjustment for bills due November 27th, 2011 at negative .01955.

Motion Carried

6. FINANCIALS

In the electric department, we are YTD ahead of budget. Part of our revenue is due to the transmission credits we are now receiving that was not in our 2010 budget. In the water department, we are YTD over budget in revenue by 3%.

A. There was a motion by Jonathan Ness with a second by Bob Hutter to approve financials for October 2011.

Motion Carried

7. GENERAL MANAGER REPORT

A. Conservation Improvement Program

In the residential CIP, we are currently at 24% of our goal. The DMU Projects are at 15% of our goal and Commercial & Industrial projects are at 140% of our year to date goal. We have reallocated CIP funds to bring the carryover into 2011. We have pending lighting retrofit projects that will also be completed in November.

8. Unfinished Business

A. 2012 Preliminary Operating and Capital Budgets

We have set up a Budget workshop meeting for December 12th at 7pm with a joint meeting the following day at 6pm.

9. New Business

A. Motion to Approve Loan from Electric to Water

As the end of October 2011, the Water Fund has \$229,635.59 and has a \$140,000 payment due in November 2011 for the 2005 Water Treatment Plant (WTP) bond. The Water Fund also has the final payment on the 2001 Water Tower bond in the amount of \$220,000 and another payment for the 2005 WTP bond in May 2012 of \$145,000. Based on the current cash position of the Water Fund, the Water Fund needs to borrow money to meet these payment requirements.

The Electric Fund will be able to loan the Water Fund the money needed at a rate it would receive if it was invested in a 5 year CD. The Water Fund will benefit in three areas. First, the Water Fund will have the 2001 Bond obligation retired, effectively moving the debt from owing an outside entity to owing another entity inside of Delano. Second, the cash outlay requirement gets spread out to 15 years instead of 14 months. Third, by borrowing from the Electric Fund, the Water Fund is able to realize some savings in interest incurred due to the lower rate the Electric Fund is able to offer.

The Commission further discussed the situation and agreed this was a good option.

There was a motion by Jonathan Ness with a second by Bob Hutter to approve the loan from the electric to the water department in the amount of \$325,000 at 2.05% per year interest.

Motion Carried

B. Motion to Authorize working with Springsted Inc to Refinance 2005 B Series Water Bond

The City of Delano has authorized the refinancing of 2 bonds to significantly lower its interest payments. The City is working with Springsted Inc to perform the refinancing. The interest rate that has been proposed to City for the refinancing is almost half of the interest rate of 4.1425% of the 2005 B Series Water Bond. Preliminarily, we reached out to Springsted Inc to confirm that a benefit would be reached if DMU refinanced the 2005 B Water Bond. Springsted's initial estimate would return a Net Present Value Benefit in excess of \$867,000 over 8 years.

The intended target for completing refinancing would be 1st quarter 2012. We would not have wanted to sell these bonds this year, because the par amount of the MMUA refunding bonds along with 2 refunding bonds for the City of Delano would have exceeded the \$10 million bank qualification (BQ) limit. The BQ limit is a federal law that allows banks to own municipal securities and deduct 80% of the interest income if the bonds are "bank qualified." The result is that it broadens the investor base. Depending on the market, interest rates on BQ bonds can be anywhere between 10 and 40 basis points lower, which can be significant.

The Commission asked what is the fee for working with Springsted and Mr. Becker will research that.

There was a motion by Jonathan Ness with a second by Derek Schansberg to approve working with Springsted Inc to Refinance 2005 B Series Water Bond.

Motion Carried

C. Motion to Approve Purchase of Replacement Color Copier

In 2008, a refurbished Ricoh color copier was purchased for \$7,100. Over the last 6 month, the color copier has had failed parts each month as the news letters are being produced. The service contract we have in place has allowed the Ricoh to be repaired in time to still produce and deliver the newsletters, however, the frequency of the repairs is evidence that it is time to replace the machine.

The recommended replacement is a refurbished Sharp color copier with a purchase price \$5,250 after applying \$2,800 for trading in the Ricoh color Copier. The color copier is an Energy Star appliance and will be paid by Conservation Improvement Program funds.

There was a motion by Derek Schansberg with a second by Jonathan Ness to approve the purchase of replacement color copier.

Motion Carried

D. Motion to Approve Auditors for 2011 Fiscal year

The audit firm Larson Allen has merged with Milwaukee-based Clifton Gunderson to form a combined new firm, Clifton Larson Allen. Larson Allen provided independent audit service to Delano Municipal Utilities for the past five years. The base fees paid for 2006 were \$12,580, for 2007 were \$13,730, for 2008 were \$14,470, for 2009 was \$14,900, and for 2010 was \$14,900. The proposed fee for 2011 is \$14,900.

There was a motion by Bob Hutter with a second by Derek Schansberg to approve the appointment of the audit firm Clifton Larson Allen for 2011.

Motion Carried

10. CLAIMS

A. There was a motion made by Jonathan Ness with a second by Bob Hutter to approve claims for the month of October 2011 in the amount of \$661,369.71.

Motion Carried

12. ADJOURNMENT

There being no further business before the Commission, the meeting was adjourned at 7:35pm.

Larry Bartels, Chairman

Jonathan Ness, Secretary