



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION REGULAR WORK SESSION MEETING AGENDA

Wednesday, July 24, 2024

2:30 PM

**CALL TO ORDER:** Pursuant to due notice and call thereof, a Work Session Meeting of the Grand Rapids Public Utilities Commission will be held on Wednesday, July 24, 2024 at 2:30 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street, Grand Rapids, Minnesota.

**CALL OF ROLL:**

**BUSINESS:**

1. Mid-Year Financial and Policy Review

**ADJOURNMENT:**

The next Work Session is scheduled for Wednesday, August 14, 2024 at 8:00 AM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The next Regular Meeting of the Commission is scheduled for Wednesday, August 28, 2024 at 4:00 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street..

The GRPUC has adopted a Meeting Protocol Policy, which informs attendees of the GRPUC's desire to conduct meetings in an orderly manner which welcomes all civil input from interested parties. If you are unaware of the policy, please contact our office at 218-326-7024 and we will provide you with a copy of the policy.



# Grand Rapids Public Utilities

Commission Work Session – Grand Rapids, MN

July 24, 2024

## AGENDA

1. Mid-Year Financial and Policy Review

# Finance - Operations

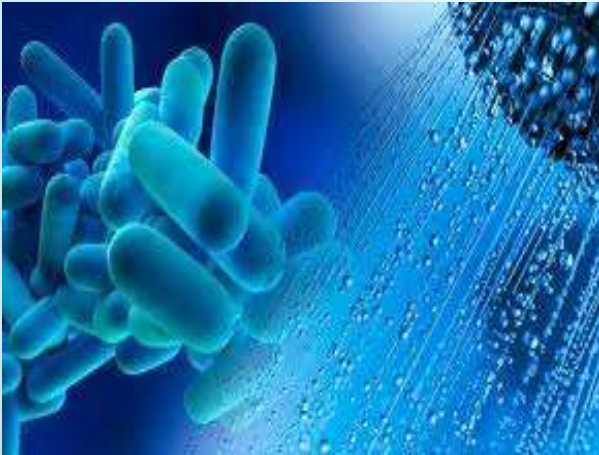
<b>OPERATIONS THROUGH JUNE 2024</b>			
			Annual
	Actual	Budget	Budget
<b>Water</b>			
Revenue	\$1,099,481	\$1,105,887	\$ 2,199,884
Expenses	\$ 942,181	\$1,081,368	\$ 2,160,414
Net Income (Loss)	\$ 157,300	\$ 24,519	\$ 39,470
<b>WW Collection</b>			
Revenue	\$1,022,875	\$1,025,342	\$ 2,090,082
Expenses	\$ 738,980	\$ 832,740	\$ 1,683,620
Net Income (Loss)	\$ 283,895	\$ 192,602	\$ 406,462
<b>Electric</b>			
Revenue	\$8,874,609	\$9,119,373	\$18,060,465
Expenses	\$7,853,729	\$7,487,585	\$15,123,714
Net Income (Loss)	\$1,020,880	\$1,631,788	\$ 2,936,751
<b>WW TRMT</b>			
Net Income(Loss)	\$ (681,223)	\$ (12,121)	\$ (1,620,000)

# Finance - Capital

CAPITAL THROUGH JUNE 2024		
		Annual
	Actual	Budget
Electric	\$ 495,961	\$ 2,212,246
Water	\$ 536,068	\$ 5,772,000
Domestic Wastewater Coll	\$ 28,993	\$ 1,760,500
Wastewater Treatment	\$ 75,272	\$ 2,683,500
Service Center & Technolo	\$ 115,251	\$ 1,459,650
<b>TOTAL</b>	<b>\$ 1,251,544</b>	<b>\$13,887,896</b>

# Impact of Legionella and Chlorination (Thru June 30, 2024)

- Financial Impact:
  - Operations Cost: \$259,167
  - Capital Expenditure: \$379,263
  - **Total: \$638,430**



# Operating Reserve Policy



- Accumulated Operating Reserve target of 50% for each utility
- 50% target calculated on previous year's audited annual expenses
- Amounts over 50% transfer to Asset Replacement account →
- Fall below 50% target present plan to meet 50% operating reserve



# ERP Collaboration with the City

## ➤ Project Benefits

- Same chart of accounts – Tall Timber Days
- Cross training
- Financial roll-up
- Capital asset planning
- Interfund (City and PU) and Intrafund (PU utilities) efficiencies



## ➤ Future Collaborative efforts once ERP is operational is Asset Management

- Know what you own and where it is
- Current condition & useful life
- Prioritization of capital needs
- Funding - change viewpoint of infrastructure from cost to investment  
*“Investing in what we have is generational work”*



# Impact of City Partnership - Information Technology

If our City partnership with IT support ends, the following will be impacted:

- ERP Benefits
- Schedule
- Financial



# SpryPoint





# Questions / Comments

Item 1.

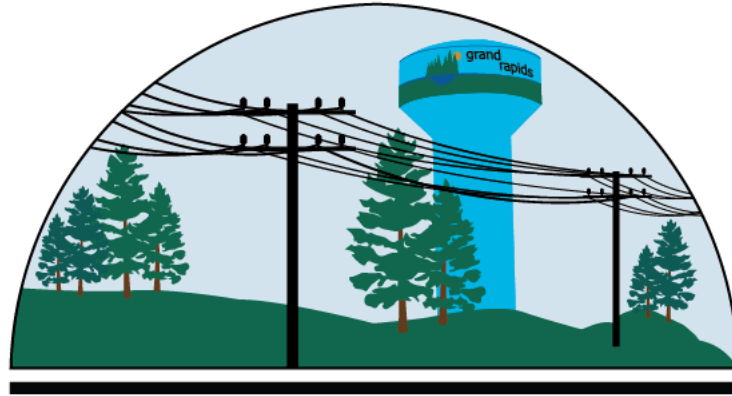
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**GRAND RAPIDS  
PUBLIC UTILITIES**

*Service is Our Nature*

**Operating Reserve Policy**

GRAND RAPIDS PUBLIC UTILITIES  
COMMISSION

August 2023

## Grand Rapids Public Utilities Commission (GRPUC) Operating Reserve Policy

### A. Scope

The GRPU maintains accumulated Utility Operating Reserves for the Electric, Water, and Wastewater Collection (Sanity Sewer and domestic treatment) in order to effectively manage rate fluctuations, operating contingencies, working capital, and operating financing.

### B. Policy Statement

The GRPUC has established a reasonable accumulated reserve target in order to cover the financial needs of the utilities and mitigate impacts on ratepayers. The target is that accumulated Operating Reserves will be maintained at a constant percentage (50%) of the previous year's audited annual expenses to ensure that the reserves grow over time in proportion to the infrastructure growth in the GRPUC service territory.

From time to time, unplanned surpluses may be generated in a given year and the accumulated Operating Reserve may exceed the targeted maximum. Should this occur, any amount over the threshold (50% of the previous year's audited annual expenses) will be transferred to the respective Utilities Asset Replacement Reserve subaccount to support that Utility's capital program.

### C. Objectives

The purpose of this policy is to ensure that the accumulated Utility Funds' Operating Surplus is maintained at an adequate level to provide for rate stabilization, operating contingencies, working capital, and operating financing and that any unplanned surplus above the target threshold will be transferred to the respective Utility Asset Replacement Reserve sub-account to address ongoing asset management needs.

A reserve provides protection from risk. GRPUC faces risks such as revenue shortfalls during recessions and losses from extreme events like natural disasters, required actions of the State of Minnesota in severe weather, or a disruption in the power supply or production of a utility service. Reserves help make sure that GRPUC can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines.

### D. Definitions

Operating Reserve – Current Assets (cash, investments, due from City, interest receivable, accounts receivable, lease receivable) less Current Liabilities (accounts payable, due to other governments, due to the City of Grand Rapids, sales tax payable, accrued payroll).

Operating Expenses – Total operating expenses less depreciation and amortization. Excluding the operating expenses for non-domestic wastewater treatment. Exclude any unusual or extraordinary expenses.

E. Principles - Size of Reserve

1. The GRPUC’s goal is to maintain the accumulated Utilities’ Operating Reserve at a constant percentage (50%) of the previous year’s annual audited expenses. The 50% reserve target represents approximately six months of average operating expenses which ensures adequate contingency for all reasonable unanticipated expenses.
2. Any unplanned surplus earned in a given year will be transferred to an accumulated Utilities Asset Replacement Reserve sub-account to support the GRPUC’s capital program. Electric, Water, and Wastewater Collection (Sanity Sewer & domestic treatment) each shall have a separate Utilities Asset Replacement Reserve subaccount.

GRPUC’s Business Services Department will conduct long-range forecasting to decide if GRPUC is likely to stay within the established reserve goal. If the goal reserve amount is not kept during the forecast period, the Business Services Manager will inform the General Manager. The General Manager will propose a plan for the replacement of the reserves.

GRPUC will review and approve the plan as part of the annual budget process. Grand Rapids Public Utilities will try to replace the reserves within a one-budget cycle if that is practical.

If the reserve is exceeded during the forecast period, then the respective Utilities Asset Replacement Reserve sub-account will continue to grow with no maximum amount.

F. Authority

The General Manager, with the support of the GRPUC’s managers, is responsible for maintaining the accumulated Utilities’ Operating Reserve at the level determined in this policy.

The General Manager has been authorized by the GRPUC to use the reserves for purposes consistent with this policy.

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President

Date

Secretary

Date

Adopted Date: \_\_\_\_\_ (Resolution 09-18-23-11)

Revised Date: