WORK SESSION AGENDA
COMMITTEE-OF-THE-WHOLE
JULY 1, 2024
CITY HALL COUNCIL CHAMBERS

Following the Council Meeting:

1. Austin Utilities/Southern Minnesota Municipal Power Agency (SMMPA) Power Sales Contract Extension Ordinance – Mark Nibaur

2. Local Option Sales Tax Review – Steven Lang

3. Administrative Report

4. Closed Session – Pursuant to Minn. Stat. Section 13D.03 subd. 1 (b) - Labor Negotiations

5. Open Discussion

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Connections for Better Living™

Austin – Southern Minnesota Municipal Power Agency (SMMPA) Power Sales Contract Extension

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The Process

- 1898 & Co. Power Supply Planning Study
- AU Board Work Sessions with 1898 & Co. and SMMPA
- Due Diligence - Request For Information (RFI) from Additional Power Suppliers
- AU Board Resolution Approval
- City Ordinance Approval
- SMMPA Board Approval

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Power Supply Planning Study

- Focused Study on Two Options:
  - AU to Self Supply Power requirements without an Agency
  - Extend Power Sales Contract with SMMPA
- Recent MN Carbon Free Regulations & MISO Operating Processes Level Playing Field for Utilities
- Financial Results of 20 Year NPV was nearly equal:
  - $417M Self Supply
  - $416M SMMPA

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Power Supply Planning Study

Key Takeaways

- CROD Expires: Equivalent cost to SMMPA Full Requirements but will require additional staffing and operational changes to standup MISO operation.
- SMMPA Full Requirements: Equivalent cost to CROD Expires but requires no additional capital spend to procure new resources or additional expenditures to stand up MISO operation.

KEY CONSIDERATIONS

- Additional MISO costs need to be considered to determine if additional staffing and organizational changes related to leaving SMMPA are justified. PTC Cliff in the early 2040s will need to be considered when determining ownership structures.
- Business as usual operations would continue assuming that all MN State legislation would be met through the SMMPA agreement.
- Austin would retain associated value from the Agency including:
  - Energy Efficiency/CIP Support
  - Transmission Ownership/Investment Opportunity
  - Regulatory/Political Voice
  - Expert Resources
  - Project Aggregator - example: EV Charger Network

1898 & CO.

Confidential Information

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Power Supply Planning Study

Risk/Reward

	Risks	Rewards
CROD Expires	• More FTEs needed to manage load and market interaction. Exposed to MISO market fluctuations. Additional costs are estimates (could be higher by 2030). • Need to manage procurement and interconnection of new assets immediately.	• AU is fully in control of their system.
SMMPA Full Requirements:	• Bound to the price that SMMPA sets forth in the CROD contract until expiration.	• Won't incur the risks of market exposure or having AU-owned generation. No need for additional FTEs. • Potential for generation resource(s) to be built in Austin by SMMPA

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Power Supplier RFI

- Engaged 1898 & Co.
- RFI Consisted of 19 Questions & Sent to Six Power Suppliers in the Midwest
- Four Respondents
- Conclusion: SMMPA is Clearly the Best Fit For AU

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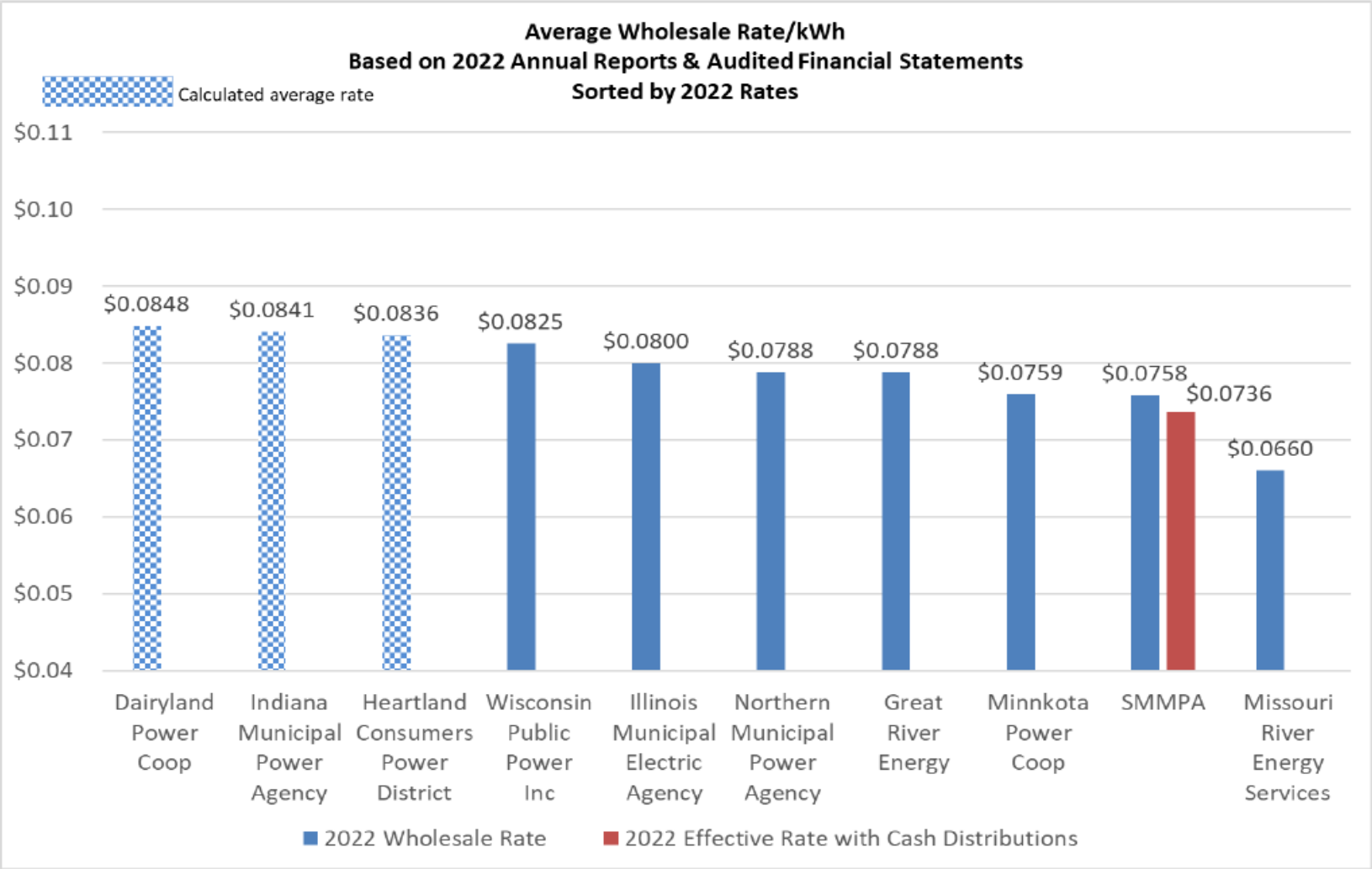
SMMPA Rate Comparison



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Next Steps

- City of Austin Ordinance Approval
  - July 15th Council Meeting
- SMMPA Board Approval
- SMMPA Transition & Resource Planning
  - Dave Geschwind: SMMPA CEO

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ORDINANCE NO. ____
ORDINANCE OF THE CITY COUNCIL OF THE CITY OF AUSTIN AUTHORIZING THE EXECUTION OF AN AMENDMENT TO EXTEND THE POWER SALES CONTRACT BETWEEN SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY AND AUSTIN UTILITIES, AUSTIN MINNESOTA

WHEREAS, the City of Austin (the "City") is a municipal corporation of the State of Minnesota; and

WHEREAS, the City owns and operates Austin Utilities, a municipal utility, by and through its Austin Utilities Board of Commissioners;

WHEREAS, Austin Utilities is authorized by the provisions of the City of Austin Charter to acquire, purchase, transport, store and manage supplies of electricity necessary to meet the requirements of the residential, commercial, and industrial customers served by such utility; and

WHEREAS, pursuant to the Charter of the City, the Austin Utilities Board of Commissioners, has the authority to execute and deliver contracts on behalf of the City of Austin related to its purpose and function under the Charter of the City; and

WHEREAS, since 1981, the Southern Minnesota Municipal Power Agency supplies, and continues to supply electricity to the City of Austin through a power sales contract with Austin Utilities currently set to expire in the year 2030; and

WHEREAS, continuing to contract with the Southern Minnesota Municipal Power Agency is beneficial to Austin Utilities, the City of Austin, and all the constituents that receive their utilities through Austin Utilities; and

WHEREAS, an amendment of the existing power sales contract has been drafted for the purpose of extending the term of the existing power sales contract through April 1, 2050; and

WHEREAS, the Austin Utilities Board of Commissioners has considered this issue, approved the extension, and has requested the Council ratify and approve the extension as required;

NOW, THEREFORE, be it hereby resolved by the City Council of the City of Austin that the City Council of the City of Austin hereby approves and ratifies the Austin Utilities Board of Commissioners' approval of the extension of the power sales contract with Southern Minnesota Municipal Power Agency extending its contractual term to April 1, 2050, and hereby authorizes Austin Utilities to enter into said extension agreement in substantially the form attached hereto as Exhibit A.

Passed by a vote of Yeas and Nays this _____ day of _____, 2024.

Yeas _____ Nays _____

APPROVED:_____
Steven King, Mayor

Attest:_____
Tom Dankert, City Recorder

EXHIBIT A
AMENDMENT TO THE POWER SALES CONTRACT BETWEEN SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY AND THE AUSTIN UTILITIES, AUSTIN, MINNESOTA

This Amendment dated as of _____, 2024, to the Power Sales Contract dated as of April 1, 1981, as amended to the date hereof (the "Power Sales Contract"), between Southern Minnesota Municipal Power Agency ("the Agency") and Austin Utilities, Austin Minnesota ("the Member").

The parties hereto have agreed to amend the Power Sales Contract in order to extend the term thereof. Accordingly, the parties hereto hereby agree as follows:

1. Revision to Section 2: Section 2 of the Power Sales Contract is hereby amended to read as follows:

SECTION 2. ***Term***

This Contract shall become effective on the day, month, and year first above written and shall remain in effect until April 1, 2050 and thereafter until terminated by the Agency or the Member upon one year's prior written notice to the other party.

2. Effective Date: If approved and adopted by the Board of Directors of the Agency after receiving the responses of Members of the Agency to a similar proposed amendment, the changes set forth in Section 1 hereof shall be effective as of _____. Otherwise, this document shall be null and void without force or effect.

3. Effect on Power Sales Contract: Except as amended hereby, the Power Sales Contract shall continue in full force and effect, and any reference to the Power Sales Contract shall mean the Power Sales Contract as amended hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by duly authorized officers all as of the date first set forth above.

SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY

By:

_____
Its Executive Director and CEO

AUSTIN UTILITIES

By: _____
Its: _____

And By: _____
Its: _____

AUSTIN UTILITIES
RESOLUTION NO. 332

A RESOLUTION TO EXTEND THE POWER SALES CONTRACT BETWEEN SOUTHERN MINNESOTA MUNICIPAL POWER AGENCY AND AUSTIN UTILITIES, AUSTIN MINNESOTA

WHEREAS, the Austin Utilities Board of Commissioners has determined that it is in the City of Austin's best interests to extend the term of the Power Sales Contract with the Southern Minnesota Municipal Power Agency (Agency) until April 1, 2050; and

WHEREAS, the Austin Utilities Board of Commissioners has requested that the Agency agree to amend the Power Sales Contract in order to extend the term thereof; and

WHEREAS, approval and adoption by the Board of Directors of the Agency is anticipated to be obtained as of _____; and

NOW, THEREFORE, BE IT RESOLVED by the Austin Utilities Board of Commissioners of the City of Austin, Minnesota, to extend the Power Sales Contract with Southern Minnesota Municipal Power Agency until April 1, 2050.

Adopted by the Austin Utilities Board of Commissioners on this 3rd day of June, 2024

YEAS 5 NAYS Ø

Signed: _____

Attest: _____
Secretary

City of Austin
500 Fourth Avenue N.E.
Austin, Minnesota 55912-3773

Steven J. Lang, P.E.
City Engr./Public Works Dir.
507-437-9949
Fax 507-437-7101
slang@ci.austin.mn.us

Memorandum

To: Mayor & Council

From: Steven J. Lang, P.E.

Date: June 19, 2024

Subject: Local Option Sales Tax, Budget Update

Items for Review:

- LOST was established in April 2007
  - Eligible to run for 20 years to April 2027
    or
  - Until funding for all designated projects is complete
- LOST revenue continues to increase each year, for budget estimates we are currently using $1,700,000 per year
- Since 2006, we have completed $39.6 million in projects
  - $13.6 million DNR grants
  - $15.9 million LOST
  - $8.6 million Other grants
- We have identified about $20.7 million in projects remaining
  - $4.4 million DNR grants
  - $12.3 million LOST
  - $3.3 million WWTP & SWUD fund
- Items of note in the funding plan
  - Proposed projects would take LOST to its expiration date, April 2027
  - All project costs are estimates based on current conditions and project costs
  - $4 million DNR grant in place for WWTP Levee projects
  - Proposed purchase of Salvation Army with 100% LOST to allow for partial redevelopment of property outside of the floodplain
  - Wildwood Park acquisition costs removed; initial study results shown that many of the existing homes that were added during the 2013 remapping will be removed as a result of the hydraulic study currently being completed by the City.
  - Included costs associated with 4th Avenue dam removal and levee improvements to be done in conjunction with the Whitewater project.

Year	Description	Expenses	DNR Grant	LOST	Other/DEED/ Federal	Year-End Balance LOST
2006	Commercial Propert Acq.	$ 2,091,768	$ 1,045,884	$ 175,000	$ 870,884	
2007	Wildwood Park Acquisition	$ 2,210,975	$ 275,000	$ 75,000	$ 1,860,975	$ 402,500
2008	N. Main Phase 8	$ 1,085,000	$ 566,000	$ 737,500		$ 1,015,000
2009		$ 700,000	$ 374,000	$ 55,500		$ 2,309,500
2010		$ 375,000	$ 229,000	$ 92,500		$ 3,567,000
2011	N. Main Phase 2-9-10-12	$ 3,726,000	$ 1,893,000	$ 1,531,000		$ 3,386,000
2012		$ 511,000	$ 232,000	$ 189,000		$ 4,547,000
2013		$ 1,925,000	$ 1,620,000	$ 533,000		$ 5,364,000
2014	N. Main Phase 3-4-5-6-7	$ 13,740,000	$ 3,012,000	$ 5,621,000	$ 5,000,000	$ 1,093,000
2015		$ 2,140,000	$ 205,000	$ 623,000		$ 1,820,000
2016	Dobbins Misc. Acquisition	$ 800,000	$ 400,000	$ 400,000		$ 3,040,000
2017	Equipment/Acq./East Side Dam	$ 175,000	$ 20,000	$ 120,000	$ 50,000	$ 3,775,000
2018	Dobbins Misc. Acquisition	$ 80,000	$ 40,000	$ 40,000		
	N. Main Phase 1	$ 1,650,000	$ 825,000	$ 825,000		$ 4,131,000
2019	Turtle Creek Flood Mitigation	$ 5,310,000	$ 2,655,000	$ 2,655,000		$ 3,116,898
2020	WWTP Levee Design	$ 525,000	$ 262,500	$ 262,500		
	Turtle Creek Interceptor	$ 2,600,000		$ 1,742,000	$ 858,000	$ 2,462,400
2021						$ 4,000,000
2022						$ 5,070,000
2023	Generators			$ 250,000		$ 7,149,000
		$ 39,644,743	**$ 13,654,384**	**$ 15,927,000**	**$ 8,639,859**	

	Year	Description	Estimated Project Cost	DNR Grant	LOST	Other	* Year-End Balance LOST
	2024	WWTP Levee/Wall, Ph 1	$ 5,500,000	$ 2,750,000	$ 2,750,000		$ 6,099,000
		Cedar River Siphons	$ 1,100,000		$ 550,000	$ 550,000	$ 5,549,000
		Salvation Army Thrift Store	$ 450,000		$ 450,000		$ 5,099,000
	2025	Salvation Army Main Bldg.	$ 950,000		$ 950,000		$ 5,849,000
		Terp Ballroom	$ 800,000	$ 400,000	$ 400,000		$ 5,449,000
		~~Wildwood Park Acq.~~	~~$ 800,000~~				$ 5,449,000
		Ellis Ditch Drainge Study	$ 100,000		$ 66,667	$ 33,333	$ 5,382,333
END	2026	Ellis Ditch Drainage Imp.	$ 1,500,000		$ 1,000,000	$ 500,000	$ 6,082,333
4/1/2027	2027	WWTP Levee/Wall, Ph 2	$ 2,500,000	$ 1,250,000	$ 1,250,000		$ 5,257,333
	2028	9th Place Trunk Main	$ 2,000,000		$ 1,000,000	$ 1,000,000	$ 4,257,333
		Dobbins Creek Trunk Sewer	$ 1,000,000		$ 500,000	$ 500,000	$ 3,757,333
		WWTP Levee Certification			$ 200,000		$ 3,557,333
	Future	SE Interceptor, Ph 1	$ 1,000,000		$ 250,000	$ 750,000	$ 3,307,333
		4th Ave Dam & Levee	$ 3,000,000		$ 3,000,000		$ 307,333
			$ 20,700,000	**$ 4,400,000**	**$ 12,366,667**	**$ 3,333,333**	

* Using an average of $1,700,000 LOST generated per year

** 20-year LOST ends 4/1/2027

$ 4,000,000 existing DNR grant

$ 400,000 remaining DNR dollars needed