

AUSTIN

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UTILITIES
Connections for Better Living®
INVESTING IN
AUSTIN



2018 ANNUAL REPORT



AUSTIN UTILITIES

A message from ...

Mark Nibaur

General Manager

In our industry, utilities are often natural monopolies because of the large infrastructure investment that is required to produce, maintain and deliver electricity, natural gas, and water to our communities. It's hard for most people to imagine the cost it takes to run one utility for a community the size of Austin, let alone three. With an operating budget of over 58 million dollars in 2018, it's important to make sure every dollar is invested wisely.

As the General Manager and a customer of Austin Utilities, I take careful action to monitor costs, plan projects, and preserve reliable service. As you can see within this annual report, our board, leadership team, office staff and field employees are making sure that we not only maintain our utility today, but also prepare it for the future. I am extremely proud of the outstanding staff that serve our community with dedication and passion.

If you have questions or want to learn more about how we are investing in our community, please stop by and see me.

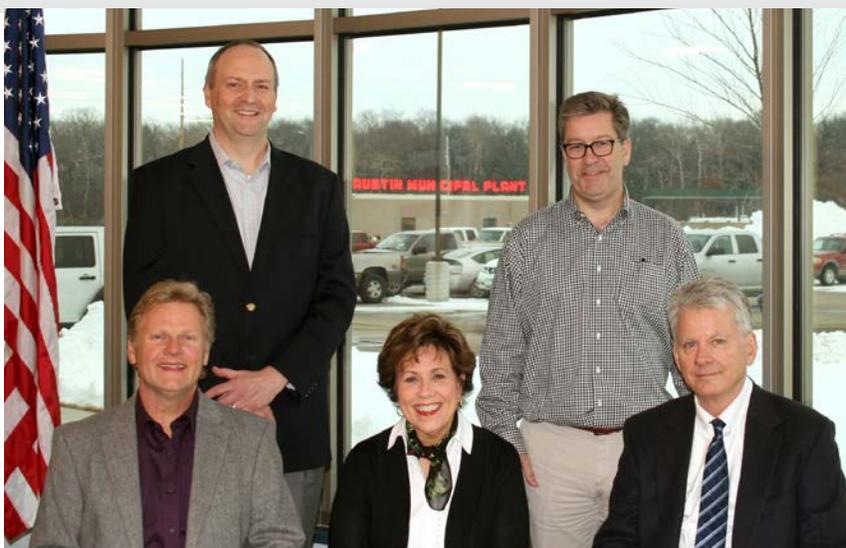
▶ *“It is my pleasure to work for the community in guiding our board and staff in making the right utility decisions now and for our future.”*

Mark Nibaur



Investing In Sound Decisions

The members of our elected Board of Commissioners are a great mix of local members of our community that understand community needs. They understand that a municipal utility is an asset to the community. As representatives of the homeowner, business owner and large corporate customer, they make sure we stay on track to meet growing community needs in the most cost effective way while keeping current operations running reliably and efficiently.



◀ Austin Utilities Board of Commissioners

Pictured front row: Steve Greenman,
Jeanne Sheehan, Tom Baudler,

Pictured back row: Tyler Hulsebus,
Geoff Baker.

Our Leadership team must also look to the future needs of our customers. They develop the strategic plan that allows our utility to grow into the future while still maintaining reliability and fiscal responsibility. Although each has their own area of responsibility within the organization they must work collectively to be cost effective and invest utility resources in the most efficient way.

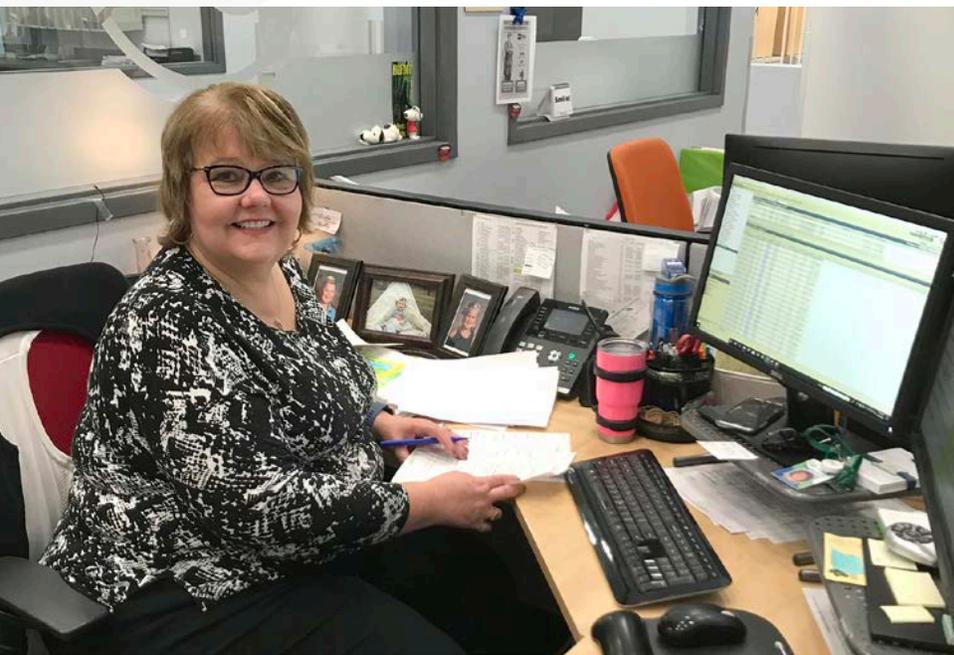


▲ Austin Utilities Leadership Team

Pictured from left: Kim Duncomb, Mark Nibaur, Ann Christianson,
Alex Bumgardner, Tom Tylutki, Todd Jorgenson.

Investing In Customer Care

We understand that as a public municipal utility we have guaranteed pricing, guaranteed customers, and a product that people simply cannot live without. But serving our customers is the most important thing we do. They are at the heart of every decision we make and every dollar we spend. We strive every day to provide safe and reliable utilities and great customer service while ensuring the privacy and security of customer data. We have recently made many investments in technology to improve our customer care. The investments we make in your public utility provide a community asset that benefits everyone and adds to Austin being a great place to live.



“Our customers are at the heart of every decision we make and dollar we spend”

\$203,000 - New software for customer care & accounting

\$13,000 - Customer surveys

\$30,000 - Information technology disaster recovery site

\$80,000 - Geographic Information System (GIS)

In addition we make the following annual investments...

\$1.6 Million - Payment to the City of Austin in lieu of taxes

\$95,000 - Software license and updates

\$95,000 - Postage and billing

\$60,000 - Credit card fees

As we continually look to provide excellent customer care, below are some of the projects we plan to invest in -

- ▶ **Electric Vehicle Incentives**
- ▶ **Cybersecurity Enhancements**
- ▶ **Customer Communication Technology**
- ▶ **Outage Communication Technology**



Investing In Operations

It's hard to imagine life without electricity, natural gas or water being there for you when you need it. That is why we continually monitor and invest in our system to make sure you have your energy needs met without ever having to think about it.

The infrastructure required to produce and deliver a product such as electricity, natural gas, or water is very expensive to build and maintain. Here are some of the more recent investments we have made to our system to provide reliability and improve service -

\$16.8 Million - New central facility

\$90,000 - Supervisory control and data acquisition (SCADA) upgrade

\$75,000 - Radio system upgrade

\$40,000 - Security camera installations

\$2 Million - Well house No. 9 rehabilitation

\$1 Million - Electric substation technology upgrades

\$40,000 - Advanced metering infrastructure pilot



In addition we make the following annual investments to our system for purchased power, purchased natural gas, and maintenance –

\$26.8 Million - Purchased power cost

\$10.6 Million - Purchased natural gas cost

\$609,000 - Water treatment and pumping cost

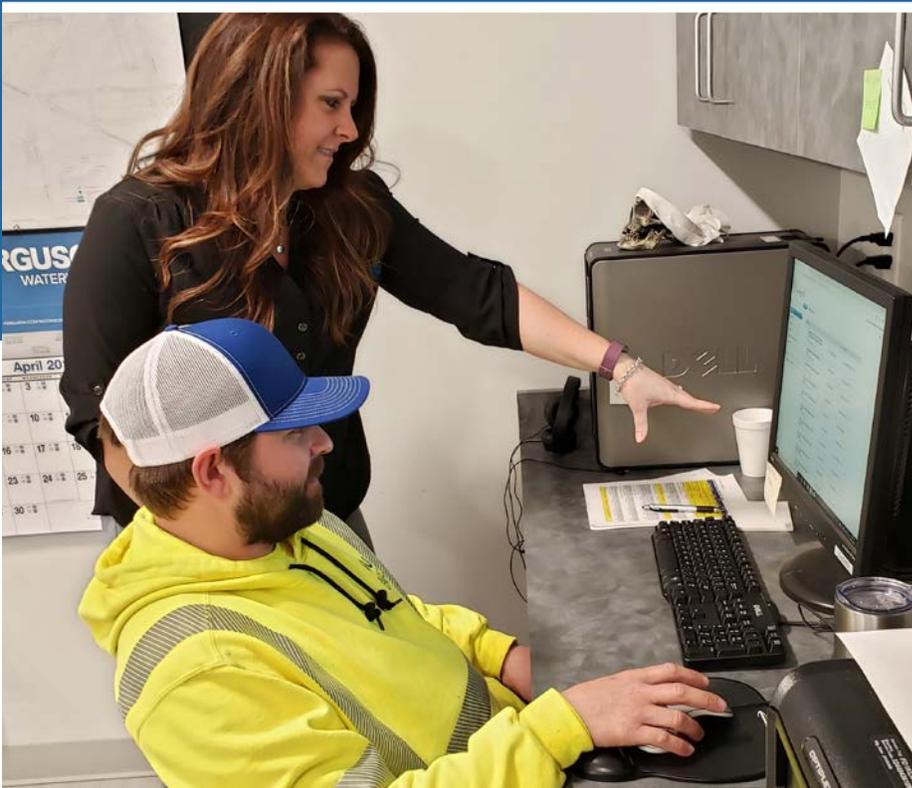
\$850,000 - Water main and service line replacement and repair

\$300,000 - Natural gas main and service line replacement and repair

\$350,000 - Underground power lines, tree trimming, substation maintenance

As we continually look to provide value to our customers, below are some of the projects we plan to invest in –

- ▶ **Well No. 6 Ellis Rehabilitation**
- ▶ **AMI Metering Project**
- ▶ **Mobile Workforce**



Our Employees...

Working to enhance the quality of life in our community

Administration – **Mark Nibaur** (General Manager)

Sarah Douty

Accounting/Finance – **Ann Christianson** (Manager)

Joan Maxfield, Dana Steichen

Storeroom (Purchasing) – Pete Klingfus, Jerry Stowell. Retired 1/2019: Randy Judd

Support Services – **Kim Duncomb** (Director)

Jenny Loucks

Customer Service – **Melissa Swenson** (Supervisor)

Brad Bednar, Dar Duholm, Kerry Hall, Dale Helgeson, Beth Johannsen, John LaVelle, Mike Leidal, Ashley Stadheim, Michelle Orozco, Dave Thompson, Wendy Whalen, Kara Wollschlager

Marketing and Energy Services – **Kelly Lady** (Manager)

Electric Distribution – **Tom Tylutki** (Director) and **Bill Bumgarner** (Supervisor)

Pat Andera, Doug Barth, Pat Donovan, Gilbert Ferguson, Jr., Mark Gerstner, Trevor Herfindahl, Jeff Martinson, Kurt Regenscheid, Colin Roberts, Doug Rysavy, Dillon Sprague, Steve Tieg, Tyler Underdahl.

Gas & Water Operations – **Todd Jorgenson** (Director)

Gas & Water Construction – **Jeff Majerus** (Supervisor)

Matt Ball, Rob Cabeen, Jason Cummings, Willie Granholm, Brian Gunderson, Wayne Guyette, Adam Heimer, Brandon Hemry, Matias Martin, Wade Nelson, Justin Peterson, Brandon Schaefer, Larry Sunderman, Craig Weis

Gas & Water Services – **Rob Gleason** (Supervisor)

Joe Bartholomew, Ryan Bell, Jessie Dumais, Gary Gabrielson, Marty Johnson, Dave Maloney, John Troupe, Scott Wangen. Retired 2018: Tony Merten

Energy Resources & Utility Operations – **Alex Bumgardner** (Director)

Engineering Services – **Keven Maxa** (Supervisor)

Samantha Bekaert, Derek Berndt, Mike Jensen, Alex Johnson. Retired 2018: Troy Tucker

Information Systems – **Butch Goergen** (Manager)

Jonas Morehouse

Utility Operations – **Jess Dunlap** (Supervisor)

Steve Bissett, Jay Halleck, Mike Johnson, Brian Klapperick, Jay Kohnke, Duane McGonigle, Brad Sistek, Dave White

Investing In Our Dedicated Staff

The investments we make in our staff help make Austin Utilities the community asset it is. We focus on getting everyone home safe every day and a culture of teamwork. Continual training, active employee committees for safety, wellness, and community engagement, and a good benefits package all contributed to Austin Utilities earning the 2018 Best Places to Work in Southeast Minnesota award.



2018 Financial Highlights

The following graph depicts the percent of revenue spent for each major category of expense. Sixty-three percent of revenues are spent on purchased power costs and natural gas purchases. Operating expenses are the next highest expense at 28%. Depreciation and Contributions in Lieu of Taxes make up 7% and our Operating Margin makes up the remaining 2%.

Our margin remained steady last year as the increase in sales was sufficient to cover our increased cost of purchases and depreciation. As you can see, our financial position has remained strong. Total assets declined slightly, the result of utility plant retirements. As we look ahead to 2019, we will continue to diligently manage our costs in order to mitigate rate impacts to our customers.

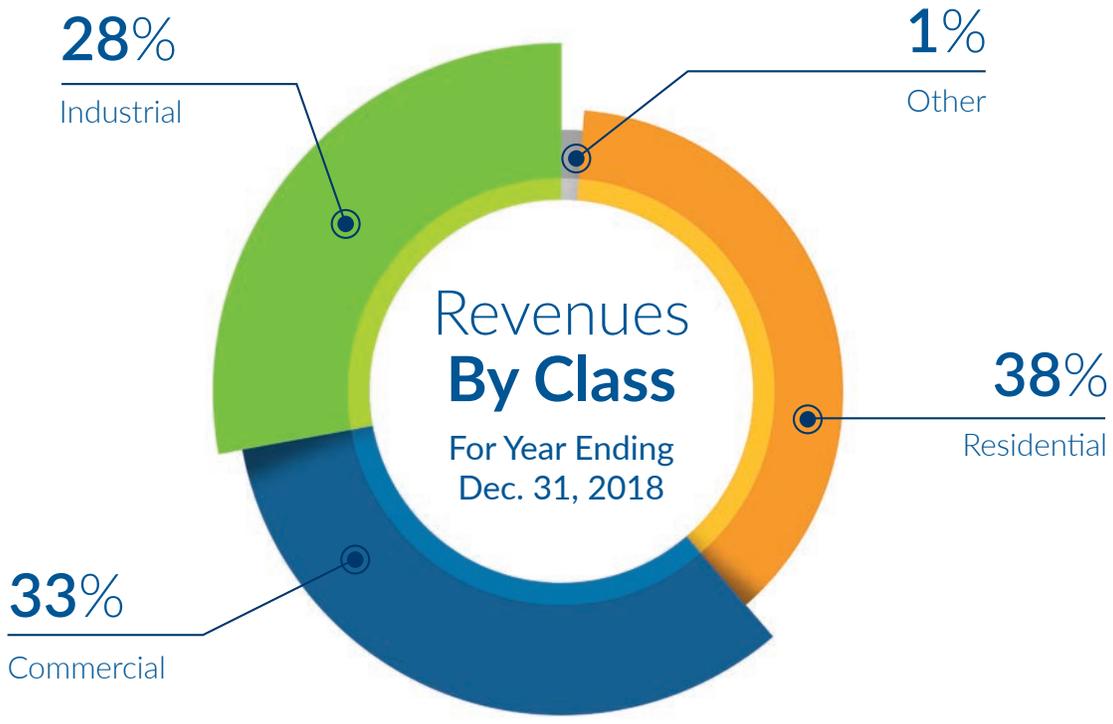


- **63%** Purchased Power & Natural Gas Purchases
- **28%** Operating Expenses
- **3%** Contributions in Lieu of Taxes
- **4%** Depreciation
- **2%** Operating Margin

	2017	2018
Total Assets	\$100.4 Million	\$101.0 Million
Equity	\$60.1 Million	\$50.3 Million
Revenue	\$58.0 Million	\$59.3 Million
Operating & Fixed Expenses	\$56.3 Million	\$58.4 Million
Other Income Expenses	\$1.2 Million	\$2.0 Million
Margins	\$0.5 Million	\$2.9 Million

Audited financial statements are available on our website at www.austinutilities.com.

2018 Revenues by Class and Source





Investing In The Future

What does the future hold? None of us can know for sure, but Austin Utilities' stewardship and sustainability practices contribute to a future of reduced carbon. Our energy conservation programs, renewable generation, community solar program and support for customer installed renewables are all great examples of our efforts. In 2014 we installed the first public electric vehicle charging station in the downtown municipal parking lot. Look for us to support electric vehicle ownership coming soon!



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