

Water and Light Commission chairman cites manipulation, no respect for process, fraud for his resignation

by DENISE MARTIN

The Chair of the North Branch Water and Light Commission submitted his resignation during the utility commission meeting Wednesday this week. There are four commissioners remaining and Vice-chair Nathan Keech accepted the Chair. Past Chair Terry Smith explains that the machinations behind the scenes and the flagrant violations of Open Meeting Law wore him down. City "meddling" in commission operations and a Facebook public group called North Branch News members posting a fake Water and Light meeting agenda—left him no option.

When Smith was appointed to serve as a Water and Light Commissioner by the mayor he recalls the Mayor advising that if Water and Light stays out of city business and the city stays out of the Water and Light, things will be fine.

This has been far from reality, Smith said. The city and utility relationship is not mutually cooperative.

In the wake of a May 7 utility "Finance Director" resignation Smith filled in at the utility offices for hours at a time, answering phones and helping where he could. He installed a mailbox he bought at a home goods store, so people who pay at the office, would have a supply of envelopes by the front door.

The employee who resigned has since signed back on to now perform her utility fiscal tasks as a City contractor—at \$75 an hour. There is a contingency who argue that the city will provide utility services cheaper than what people are paying now for Water and Light operations, not a clear cut conclusion to draw. City Administrator Reneae Fry explains in her e mail the Press obtained dated May 14, that "My team remains willing to assist but I need the commission to be very clear about the costs of doing so."

Interestingly the city administrator told Smith—before this former employee was even approached to negotiate a way of getting urgent tasks done—that this employee would work for the city. City Administrator Fry told Smith Monday May 10 (emergency meeting date) which he stresses was well before anybody by the utility commission to contact Brenda Jepsen, that Jepsen won't work for the utility anymore, but she'll work for (the city.)

Now, there is confusion over exactly what the "emergency services" are that the City Hall has agreed to provide. Answering phones etc. do not appear to be acceptable. Fry stated in her e mail she is "struggling with project creep." Filling gaps in utility front office operations will result in the commission "seeing some pretty high bills," Fry cautioned.

Negotiations are still underway on what the city can or will provide and if a temp agency will be required or not.

Fry saw the need very differently, describing having the city acting as a financial consultant...."with flexibility in how and when services are provided."

Why should citizens care?

Members of North Branch Water and Light Commission — have skirted Open Meeting Law conspiring in private, and have spent taxpayer and utility customer money minus consensus and off-the-record.

There is a process laid out in statute to follow if concerns need to be addressed regarding a public utility.

Instead of having public discussions with everybody looking at the same verified information—this utility commission and city officials have not been doing the public's business in public.

Smith, as chair, should be setting agendas. He had to contact administrative staff twice to delete items that were added to meeting business that nobody took responsibility for. He said, the purpose for the emergency commission meeting (May 10) was not to create a transition team, that should be on a future agenda for discussion, he adds. The fact that a faked agenda went out with unauthorized agenda items, "...was a rush job by someone trying to get something done" outside the legal process for how the commission needs to handle the public utility.

In the last 10 months, Former Chair Smith points out, the newly expanded five member commission (it used to be three) has successfully smoothed over various bumps in the road. Two members on the last commission illegally kicked out the former general manager and office manager, having met in violation of Open Meeting Law and not notifying staff involved, so the utility employees unionized to secure some sort of due process.

There are still allegations floating around and being repeated without any evidence of fiscal irregularities under the last utility management. A new audit firm was hired for 2020—and nothing to cause alarm was reported. Just like any small office—the utility has separation of duty concerns to monitor, but the City of North Branch had more issues of note in its 2020 audit than Water and Light experienced.

GM Scott Hautala agreed to run the utility after the old commission experienced months of unsuccessful recruiting. But, for every step forward he is facing two steps of pushback. Hautala commented at the commission meeting immediately after City Administrator Fry berated him for personnel problems — that every little thing (financial and personnel wise with the city) becomes a "mountain."

Hautala had scheduled elective surgery which everybody was aware of—eight weeks in advance of when the Finance Director chose to quit, abruptly, just before that surgery.

When Chairman Smith resigned May 19 Utility Commissioner James Baxter turned to GM Hautala and uttered, "This is your out" apparently anticipating Hautala would resign on the spot. Baxter then floated a motion to NOT continue the process of filling a front office staff vacancy (Hautala was on the verge of scheduling interviews with finalists.) He also declared in this meeting he wouldn't want to see Hautala "set up to fail."

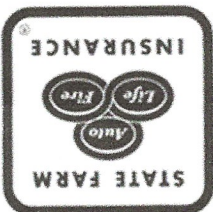
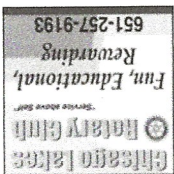
Communications in advance

Documents provided to this newspaper show a handful of city and commission officials pursuing avenues or being informed of progress never directed to be pursued in any public vote.

A "pre-bill" for legal work researching how to abolish the commission, and/or get the utility's water division under city control was obtained by the Press. The bill lists utility commissioners Schaps and Baxter, making earlier contact for advice from the utility's attorney.

Water and Light Chair Smith felt the paper trail clearly sets out a framework of colluding behind the scenes.

When the resignation from Jepsen was e mailed to Smith, Smith says he originally tried to play ball because Jepsen's "severance clause" negotiated by a previous commission was massive in his opinion. If the commission caused problems, the contract called



for six months' buyout. Who negotiates six months of pay for severance for a mid-level position, he questioned?

The Chisago County Press has a copy of a Baxter-drafted and uploaded "resolution" (complete with typos) dated Sunday May 9. It covers the city taking over operations immediately—and this is the day before May 10, when the utility commissioners met to address Finance Director Jepsen's resignation (tendered Friday morning May 7.)

At least four utility commissioners are copied in the loop on this electronic communication train with Commissioner Thomas Hals the exception.

The General Manager meanwhile, informed the commission that he had been in touch with accounting services providers for temporary assistance as this manufactured crisis unfolds.

He had spoken with the audit firm who came in second in audit services bidding and had left contact requests for others. His level of involvement apparently did not matter. In fact his tenure for the near future is grey. He returned to a commission regular meeting two days after the surgery probably aware that City Administrator Fry, however, is advocating in e mails to the commission that Hautala move to another utility building or suggests he work "remotely."

Life



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From: Brenda Jepsen [mailto:brendajepsen@outlook.com]

Sent: Friday, May 07, 2021 7:24 AM

To: Terry Smith; James Baxter; Peter Schaps; Nathan Keech; Thomas Hals

Cc: Scott Hautala

Subject: Resignation

Hello,

Effective immediately, I resign as the Finance Director for the North Branch Water & Light.

Sincerely,

Brenda Jepsen

Business Record Details »

Minnesota Business Name

LaPalme LLC LLC

Business Type

Limited Liability Company (Domestic)

File Number

1235093200029

Filing Date

5/11/2021

Renewal Due Date

12/31/2022

Registered Agent(s)

Brenda Jepsen

MN Statute

322C

Home Jurisdiction

Minnesota

Status

Active / In Good Standing

Registered Office Address

6444 Birch Street

North Branch, MN 55056

USA

Mailing Address

PO Box 775

NORTH BRANCH, MN 55056

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FEATURED

NBW&L Commission Chair unexpectedly resigns

Bill Stickels III

Jun 3, 2021



For the third time since the North Branch Water & Light Commission was expanded to five members almost a year ago, the North Branch City Council has been faced with a vacancy on the commission, with this time it being to replace Commission Chair Terry Smith.

Smith unexpectedly tendered his resignation from the commission during the commission's meeting on May 19, with the council accepting it during their May 25 meeting. While his resignation letter to the council simply stated his resignation, Smith did have some prepared words before the commission.

"When I applied to the utility commission ten months ago, I felt my 23 years of experience and service on government boards would help bring a degree of professionalism that was needed on both Water & Light Commission and the utility's general operation," Smith said. "The mayor told me at the time that the problem was the city needs to stay out of Water and Light's business, and Water and Light needs to stay out of the city's business. We need to work cooperatively for the benefit of the residents, and I agreed."



"Since then, at least in my opinion I've observed what appears to be a continued city meddling, with little interest of a true cooperative relationship," he continued. "It's been a pleasure working with all of you, especially General Manager Scott Hautala. But effective immediately, I am submitting my resignation."

When accepting Smith's resignation, the city council declined to respond to his prepared statement, however Council Member Patrick Meacham stated during discussion "I think Commissioner Smith did a great job over the last ten months. Anyone who watched a meeting, he held it together, he chaired it well. I think we are going to miss his civic leadership."

Upon accepting the resignation and declaring an opening, the council approved setting an application deadline of noon on Friday, June 18. Applications can be found on the city's website or by picking one up at City Hall. Based on the commission's bylaws, Smith's replacement must either be a resident of North Branch or an owner of a business within city limits that are users of either water or electric of the system since the maximum number of non-users is currently filled.

The noon deadline was decided in order for staff to send out all the applications to the council to review over the weekend before their council meeting on Tuesday, June 22. At that meeting, the council will decide the specific process for filling the vacancy, depending on the number of

applicants submitted. The council had previously approved a detailed interview process for filling a Water & Light Commission seat, however the previous two vacancies only resulted in a single applicant, so the council chose to bypass the interview portion on those occasions.

Update on financial services contract with W&L

Also at the May 25 meeting, the council heard an update on the status of the financial services the city was now contracted to provide to Water & Light in light of the resignation of Water & Light's Finance Director two weeks prior. According to City Administrator Renae Fry, there have been a few bumps in the road, but progress is being made.

"Over the course of the last two weeks, we were able to get payroll out," she said. "We are now moving into our second payroll cycle. For this particular cycle, we are piloting an electronic and uploadable spreadsheet. The employees in the past have actually written out their timesheets in pen."

She added that other archaic methods, such as handwriting out each billing deposit receipt, and customer work order requests, are now being transitioned to a more modern, electronically entered system.

Fry said there has been a few difficulties, however. While G.M. Hautala was off in order to receive previously scheduled hand surgery, Water and Light employees were directing customers to City Hall, which wasn't part of the city's contracted services. She said that problem has been taken care of upon Hautala's return to work.

Additionally, Hautala's absence and a recent negative article published in the Chisago County Press added to the stress level of city staff, Fry said.

"Even though the general manager had planned for his surgery, he hadn't planned for his absence," Fry said. "So there was a lot of uncertainty even within his own team, therefore a lot of uncertainty for his customers, and without any clear authority to make decisions on behalf of the organization, all we could do was our best to try to provide the most comprehensive service within the realm and scope of the agreement that was entered into between the city and the utility. So there was a level of frustration on my team because we really couldn't help. We were getting the phone calls because nobody was answering the phones over there."

“So last week was certainly tough,” she concluded. “Frankly, I don’t appreciate being bashed in the newspaper for actually providing the service that the commission asked us to provide. So that added a whole new level of stress for my staff. Again, I want to make it perfectly clear, I didn’t volunteer for this. Scott came to us and asked if we would help him.”

Odds and ends

In other action, the council:

- Approved selecting Stearns Bank for the city’s money market savings and cash depository services and Bremer Bank for all other day-to-day banking needs.
- Approved a formal housing assistance policy and application for interested developers. Several months ago, the city had contracted Ehlers Public Finance Advisors to structure such a policy in terms of the city’s official position and practices for developers wishing to request such items as TIFF financing through the city. The full policy, along with application, can be found on the city’s website.