

LINCOLN PIPESTONE RURAL WATER SYSTEM

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Meeting Minutes

April 27, 2015

The regular scheduled meeting of the Lincoln Pipestone Rural Water (LPRW) System Board of Commissioners was held at the LPRW office in Lake Benton on Monday April 27, 2015, starting at 7:00 p.m. Chairman Frank Engels called the meeting to order with Commissioners Earl DeWilde, Mitch Kling, Ken Buysse, Jerry Lonneman, Randy Kraus, Bill Ufkin, Brent Feikema, Joe Weber, Rod Spronk and Jan Moen present. Also present were Board Attorney Ron Schramel, DGR Engineers Darin Schriever and Nathan Brandenburg, CEO Mark Johnson, Field Superintendents Tom Muller and Shawn Nelson, Operations Manager Jason Overby and Enterprise Technician Jodi Greer present. Also joining the meeting were Lake Benton Mayor Barbara Powell and City Administrator Eileen Christensen and Rural Development Area Specialist Megan Gernentz. Introductions were made.

Agenda: M/S/P-U. Lonneman/Ufkin to approve to change the order of the agenda and to take up the matter of the Water Use Restriction Policy first.

Water Use Restriction Policy: The CEO related that the Powell and Christensen were there because he had sent the cities a draft of the WURP for their comments and input and notice of pending adoption. Whereupon Schramel covered the policy and its implications and the reasoning therefore. Christensen stated that she does not know what the city uses meaning the City would not know when it would be in violation. Engels explained that LPRW is looking to prevent wasting water due mainly lawn sprinkling and irrigating golf courses as grasses can endure drought. It is not to over reach the city but to have a uniform mechanism of restricting use to all its customers in times of limited water resources. The city officials asked about how it would be enforced and what will be the procedure. LPRW will not be patrolling for violators but would respond to calls from the public. Schramel related he would add that cities would be allowed to sprinkle on odd days. Lonneman and Ufkin spoke up and in agreement related that if a city has a policy and it is enacted prior to or simultaneously with LPRW enacting its policy that the city should be exempted from the enforcement provisions of this policy. M/S/P-U Ufkin/Lonneman to adopt the policy with an exemption for cities that have an ordinance for water use restrictions provided it is enforce and to implement it in conjunction with the LPRW request or before. Schramel will make appropriate changes to the policy for dissemination to the cities and customers. Thereupon the city officials were satisfied and left.

Public Hearing – Megan Gernentz CIP Projects and RD funding at 7:00 p.m.: M/S/P-Ufkin/Feikema to open the public hearing at 7:25 p.m.. Gernentz then presented that RD is willing to fund the LPRW projects under Priority 1 and the reimbursement request for previous project expenditures totaling \$ 4,539,000. Of this \$ 3,108,000 is a 2.75%, 39 year loan with an annual debt service of \$130,940.04. The remainder is funded from a 31.5% grant of \$1,431,000 payable last on the construction work. The underwriting was based on all seven priorities of projects for a sum of \$32 Million but the terms for each remaining priority of projects can vary depending on monies available when the priority is requested to be funded and the going interest rate at that time, etc. Underwriting the whole now yields better grant funding. Then Gernentz covered the letter of conditions which the LPRW must accept to receive these funds.

Still accepting the letter of conditions does not obligate LPRW to take the funding. It does lock up the Minnesota funds and national pool that is needed to be retained to pay for these projects. Also a major condition is that LPRW establish a Short –Lived-Asset account basically to fund the depreciation of the short lived assets of LPRW and assure RD of the viability and sustainability of the LPRW system during the life of this loan. Should this loan be refinanced in the future this obligation would cease. This requirement has been imposed by RD on LPRW in much smaller amounts in the past. A review of the current LPRW budget by Gernentz shows that it has categories for replacements of these items and these collectively are more than the \$287,516 required to be set aside each year for these assets. This amount was derived from DGR's SLA list found in the PER under Table 10. Upon questions from Ufkin about the nature of this required SLA account it was determined this is an accounting matter and monies placed in this account can also be rolled back out to pay for the needed replacement of short-lived-assets during each year so that the account could be up or down from this amount at the end of the fiscal year depending on actual expenditures. However, the Auditor would need to verify that the expenditures were made in accordance to the RD condition. The Auditor has done this type of thing before and is aware of this letter and this particular condition directly from the RD office. Also there would be an annual report made with and based on the audit to RD from the Auditor. This project is not funded by hookups but LPRW should report when it loses major customers and how it plans to replace them or fund any lost revenue therefrom. Gernentz was satisfied as to the arrangement that LPRW has with Lewis and Clark and that condition has been met as under this priority of projects no water will be or is required to be purchased at the second (Magnolia) meter house by Lewis and Clark as there is nowhere to use the water currently. Before construction there are a number of forms to file to get the monies set up and there will be particular insurance requirements including increases in the fidelity bond of the fiscally responsible employees to cover the maximum amount of funds they would control plus the anticipated monthly RD advances to pay for construction. An annual budget and projected cash flow will be required 30 days before the beginning of each fiscal year. The current budget and cash flow format is acceptable. LPRW will need to set up a construction account and get approval from RD before paying any invoices. There is certain paper work to be filled out by the Engineer before beginning preliminary design work. Schriever related he has submitted certain paper work and any other needed would be forth coming this week. Accordingly DGR can begin design work on this priority of projects. Discussion on single sourcing was brought up and it is a matter of showing adequate reasons thererfore as had been done in the 08-10 project. Schriever stated the hardware is basically off the shelf but it is the software engineering design of the SCADA system that cannot be multi-sourced as it is a software system that has been built upon itself many times and thus is unique. The BIOTTTA system is also similar and it is not the components but the engineering design that is needed to make the components work properly together. RD will need more information from DGR for the RD engineering review when LPRW does do the BIOTTTA project. Gernentz related that more grants are given when a system has revenue needs but also it must be able to pay. The CEO asked what effect the revenues from Worthington have on the loan/grant ratio since Rock County has gotten a 40% grant. Basically per the RD underwriting it helps fund the ability to pay the seven priorities of projects. M/S/P-U Spronk/Moen to accept the Letter of Condition and sign documents. M/S/P-U Feikema/Weber to close the public hearing at 8:15 p.m. Gernentz then left the meeting.

Minutes: M/S/P-U Ufkin/Buysse to approve the Regular Board minutes, Special Minutes of April 20, 2015 and minutes of the Personnel Committee Meetings of April 20, and the read minutes of April 27, 2015.

Treasurer's Report: M/S/P-U Weber/Kraus to approve the Treasurer's report. The CEO stated that revenues are down compared to budget projections during the winter months about \$50,000 but that after expenses the net profit is only \$10,000 down. The fact of low sales are supported by corresponding production electric billings being lower than budget too.

Pending Bills: The CEO presented the bills to be paid. M/S/P-U Moen/Feikema to approve the payment of the bills. The DGR bill includes both Operations and Capital Improvement billing. Some of the DGR capital billing should be RD eligible for reimbursement. The bills to be paid are as follows:

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #162 = \$ 15,763.18 ; and New Water Development ppe - #81= \$ 9,846.98
- Schramel General Legal Services =\$ 4,784.75
- Utility Services Group Invoice # 366150 =\$7,299.00 and Invoice # 366151 = \$ 7,300.00.

Attorney's Report:

- **Meter House and Piping City Policy Guidance - Ghent:** The CEO reported that City Administrator Dawn Vlaminck is sending a letter about the City's concerns and understanding of the contract but currently that letter has not been forthcoming.
- **Lyon County Trails Resolution:** Schramel presented that LPRW needed to adopt an Easement resolution as to the Lyon County Trails and that Lyon County will be responsible to pay for restoring its facilities should LPRW have to make water main repairs to the underlying water line. M/S/P-U Lonneman/Kling to adopt and sign the resolution authorizing the easement.

Engineer's Report: Schriever presented and posted a map of the three rural water systems combined: LPRW, RRRWS and RCRWS and then discussed the following:

- **Dawson and Madison:** Nothing new to report.
- **Clarkfield:** The city had a public meeting on April 14, 2015. Kling and Buysse went to the meeting and commented that the City's Engineers have indicated that LPRW is the preferred alternative. Clarkfield has some \$16 Million of improvements for 350 households of which \$4 Million is for streets and not RD eligible. The city wants LPRW to participate in a water storage tank. Kling is of the opinion the City needs to tear down its old tank and build a new one for itself for about the same price. Also Kling stated he related to the City that LPRW's distribution system cannot currently support adding on the City as LPRW has already obligated water to others under contract who wanted water and signed up while Clarkfield waited.
- **RRRWS:** RRRWS continues with their water exploration efforts. Test pumping is proceeding at the Linstrom site. It has the potential to provide water to the Balaton area should it prove out at about 1000 gpm.

Boundaries: From the meeting at RRRWS Manager Dominic Jones had presented boundary maps one indicating the initial concept of a line just northeast of Brewster and then following highway 59. The next was developed per the major mains of both systems with an indicated service radius from these mains and their service overlaps among the two systems. Then RRRWS projected a new theoretical boundary which

moved west of Highway 59 at certain points RRRWS contends it can better serve. The LPRW board members discussed the matter and felt the initial boundary was the better concept and that allowed cities in this area better options. Whenever one system begins to get requests or approached this line, it could call the other to see what the other's intentions were and which could better serve the area. As to Heron Lake RRRWS had shared its cost estimate which is based off \$4.00 per gallon capacity fee versus LPRW's \$7.50 per gallon fee. Jones wants LPRW to buy the line running from the RRRWS meter to Balaton and take on these customers.

Agreement: Discussion then revolved around the partial signed agreement. There appears to be issues and vagueness in the agreement. Although only signed by RRRWS, LPRW remains committed to abide by the contract until it is dissolve because of the many years of performance. It is thought that if notice is given to cancel the contract then a new and much better contract could be worked out. It may be by that time that RRRWS would have water to sell to LPRW from its Lindstrom well field. M/S/P-U Kling/Weber to give the two year notice to terminate the contract but with the intention to enable and to negotiate a new contract in the interim.

- **Lewis and Clark:** Lewis and Clark provided a cost proposal for a tap at Magnolia. The Board voted on April 20 by noticed special meeting conference call to accept the proposal including the service line upgrade to a 16 inch main and authorized to proceed with finalizing the agreement.

Wheeling water- Lonneman related that stemming from the meeting of LPRW at the Nobles County Board Meeting it was taken wrongly that the CEO had stated there was water to be wheeled form Lewis & Clark and that is not at all what the CEO said. Both Lonneman and Feikema were there and confirmed that the CEO had not indicated anything about wheeling L & C water. The CEO stated he only felt LPRW could divert more water from OCWRS to Worthington when it could get L&C water up to Edgerton and then feed these waters toward Lismore. Then Schriever related that when L& C water gets to Adrian that there still is no more water that can be delivered to Worthington. Certain pressures and volumes need to be sustained both to keep the Rushmore tower filled and to supply with the need pressure water to the area just north of Worthington. Thus wheeling will not be an option due to the physical limitations of the distribution system. Lonneman suggested after the legislature finishes its session and we know to what extent there is a bonding bill as to Lewis and Clark that LPRW officials sit down with Worthington and work on a long term agreement.

- **New Users Requests:** Continuing to work on these as they come in.
- **Holland Permit:** Waiting to see what happens with potential legislative language changes. From regular DGR communications with Meyer of the MPCA is comfortable with the status quo as both MPCA and LPRW both must wait for any legislative action.
- **CIP Program:** Adjustments have been made (again).
- **RD Funding:** The PER and Addendum # 1 have been approved as of April 22, 2015. He presented Table 8 (Financial Information Summary of the Priority # 1 Projects), Table 11 (Projected Project Schdule) and Table 12 (LPRW Capital Improvement Plan

(CIP) Priorities. From Table 11 it was asked and found out that DGR could go ahead and start on the Verdi wellfield project and still be RD fund and grant eligible. The Board was of a consensus and directed Schriever to have DGR move expediently on this project as the Verdi wellfield is current suffering from the effects of drought. Letter of Conditions propose to fund total project cost of \$4,539,000 which includes over \$1 Million for prior expenses, such as the SD Verdi wellfield land, test drilling, production wells, and hydrogeologist, etc. with an RD loan for \$ 3,108,000 at 2.75% interest for 39 years with annual debt service of \$130,940, and a grant of \$ 1,431,000 for 31.5% of the funds. The Short-Lived-Assets Reserve account will need to be individually tracked for each asset with a life 15 years or less.

Regional Water Development Report:

- **Bluegrass Dairies /Clarkfield:** This was discussed previously.
- **Lewis and Clark:** Discussed previously.

Field Superintendents'/ Operations Manager's/ and Enterprise Technician's Reports:

- **Tom Muller:** There are five services to install in the south.
- **Shawn Nelson:** There are four services to install in the north.
- **Jason Overby:** Wells 1-6 at Holland have been rehabbed and well # 1 at Verdi. Utility Service Group has pulled off the site and will return at LPRW's request in the fall. The results are influenced by the low aquifer levels. Holland Well # 2 also may have been originally over stated for performance and that is also likely why it is not performing to a higher level as hoped. Currently we are awaiting both data from running these wells after rehab and also USG's formal analyses of the results for these wells before proceeding with more wells at Verdi. The aquifers are nearing record lows and there may be action needed. The Board was of the consensus to contact the DNR about these levels and to try to get their involvement to help protect the aquifers from unwarranted uses. Then Overby brought up the need of doing an Automatic Meter Reading System and the benefits to both the customer and LPRW as to leak detection, and convenience for the customer of not having to read the meter. Also AMR would help stop the practice of customer averaging and help locate peak usage even on a daily basis. In about a year expected new meter technology should allow for water temperature reading, pressure readings and also for remote control for closing a gate to prevent leaks or aid in collections. The cost for this added technology is unknown. However based on existing meter technology a fee of \$5.00/ customer/month would pay for the equipment and installation of the system within 7 to 8 years and accumulate funds for replacements in the future. The RD funding and grants covering the prior expenses would be a good kick start to this program and then those funds would be able to be restored from the suggested fee if so imposed. Any fee imposed could be to all customers, put to only those receiving the service or stepped up over two or more years. How it is imposed and how aggressive the exchange program will both affect the payback period accordingly.
- **Jodi Greer:** The Marcos IT contract and the Paymentus Credit Card Payment online contract terms are still being worked out.

CEO's Report:

- **SD Managers Meeting- Rapid City April 30-May 1:** The CEO reported that with LPRW being a member of L&C, buying water from Brookings-Deuel, having wells in South Dakota and being regulated by South Dakota that the LPRW managers should be allowed to attend the SD managers meetings on a regular basis for exchange of ideas, education, and updates on regulations, etc. The Board was of a consensus to approve this request.
- **Moratorium on Hookups – Lawn Watering Ban:** The CEO brought up the matter of whether there should be lawn watering bans and that it had been previously expressed by the Board that if such is the case a moratorium on new hookups should be implemented. The CEO believes the aquifers are at critical and almost actionable levels and a lawn watering ban should be considered as per the policy just adopted. He pointed out that LPRW should simultaneously take what action it needs to divert water from the emergency connection with Worthington and protect the Holland aquifer. The loss of some 250 to 300 gpm revenue sales to Worthington are much less than the cost of replacing and drill for new wells in a drought damaged aquifer. Also water quality would be new issues with new wells. Moreover, the CEO explained that the moratorium should be implemented in the Burr area due to permit limitations being reached, for Verdi and Holland because the aquifers are suffering from the effects of drought. As to the OCRWS source, physical visits with Doug Westerman prove that OCRWS aquifer currently has much more sustainability for providing water at the level that LPRW is taking. Westerman is comfortable to continue this and will let LPRW know when it is not sustainable. Ufkin reported that Westerman stated OCRWS may have to increase the cost for the volumes exceeding the current contractual agreement. Currently the rate is the same for all water volumes taken. Thus the CEO stated provided that the Holland aquifer is protected first that there still should no moratorium imposed in the OCRWS service area. Any new hookup here could be supplied by a reduction offset to Worthington as LPRW only has an emergency connect with the City. It has been posed to LPRW that when Worthington gets Lewis and Clark water that it would not need LPRW water so it is important to take on permanent customers between now and when that event should occur. Lonneman wants to make sure that LPRW communicate with appropriate Worthington Officials as to having to divert water from Worthington to protect the Holland aquifer during this time of drought and it is the intention of LPRW to restore the water supply levels when the drought effects are subsided. The Board was of the consensus to wait and see what happens with expected spring rains before issuing any type ban or moratorium. This matter will be revisited in three weeks at the May meeting. Board members felt with now having the RD funds available that DGR should step up the time frame as much as possible with getting the SD Verdi wells on line. M/S/P-U DeWilde/Weber to move ahead with the expenditures for the Verdi development with Rural Development. Further Muller was directed to first visit with Worthington officials and advise of LPRW's situation and intentions and to work with

them to redirect some water to Holland while trying to keep as much water as possible going to Worthington. to help with their needs.

Committee Reports:

- **Executive Committee:** Nothing to report.
- **Personnel Committee: April 27, 2015 Meetings Recommendations:** The Personnel committee presented that the staff had recommended it needed another water system operator and that there not be a pre-determined area to be filled so as to allow the best selection possible. After hiring service areas could be redrawn. M/S/P-U Ufkin/Busysse to adopt hiring a Water System Operator wherever needed in the system.
- **Water Resources Committee Budget and Finance Committee:** Nothing to report.
- **Joint Powers Board Representative:** Nothing to report.

Other Business:

- **Fleet Program:** .Weber brought up that he has found out through Tony Dunn that Harvestore uses a fleet program for its vehicles and Dunn has been assigned a truck with fuel and insurance and maintenance for a cost of \$323 per month. He has a four door Chevy and will run it for about 4 years or up to 90,000 miles where it will be exchanged for a new fleet truck. It is not known how many trucks it would take to be able to take advantage of this program. Weber encouraged the Staff to look into this program and report back their findings.
- **Bobendrier Request Stemming from a Grass Fire at Holland:** DeWilde reported that Bobendrier had written LPRW and called him concerning the need to do more than a 50 foot mowing strip around their land and trees. The Holland fire department had brought the same matter to him. These trees are on the boundary line and had caught fire when a neighbor had done some burning. Kraus stated that at Verdi a 50 foot mowing strip is in place and he could check with the Pipestone County Water and Soil Conservation District to see if there are any restrictions to doing this. Otherwise there is not much else that can be done considering it is necessary to keep this land in CRP to protect the aquifer and the Holland drinking water supply.

Public Comment: None

Adjournment: M/S/P-U Lonneman/Kling to approve moving up the meeting start time in the summer to 6:00 p.m. M/S/P-U Lonneman/Feikema to adjourn at 10:40 p.m. The next meeting will be held Monday, May 18, 2105 at 6:00 p.m. at the main office in Lake Benton.

_____, Janice Moen, Secretary.