

LINCOLN PIPESTONE RURAL WATER SYSTEM

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Meeting Minutes

May 18, 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 May 18, 2015, starting at 6:00 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 arriving late, CEO Mark Johnson, Field Superintendents Tom Muller and Shawn Nelson, Operations Manager Jason Overby and Enterprise Technician Jodi Greer present.

Agenda: M/S/P-U. Feikema/Buysse to approve to the agenda..

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 Ufkin/Lonneman to approve the Treasurer's report. The CEO stated that revenues are down compared to budget projections during the winter months about \$55,000 but that after expenses the net profit is up \$ 30,000.00. Spronk asked about the Lismore stats and why the change in volume usage. The CEO and staff will get an answer back on this later.

Then the CEO presented that there needs to be an update to signatures on the bank accounts since Norris Peterson had retired from the board and he suggested Earl DeWilde be the replacement signee. Also Rural Development requires that there be a separate construction account for operating loan and grant monies received and making payments. M/S/P-U Lonneman/Spronk to approve new signatures to the existing accounts and to open the required RD construction account.

Pending Bills: The CEO presented the bills to be paid. M/S/P-U Moen/Kling to approve the payment of the bills. The DGR bill includes both Operations and Capital Improvement billing. The bills to be paid are as follows:

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #163 = \$ 3,624.00; and New Water Development ppe - #82= \$ 6,312.45.
- Schramel General Legal Services = \$ 5,578.63.
- DSG Invoice # B254108 = \$12,171.98; Invoice # B253636 = \$ 2,320.88; Invoice # B261958 = \$ 2,844.26; Invoice # B210830 = \$ 4,277.30; Invoice # B136023 = \$ 6,562.88 and Invoice # B253093 = \$ 5,678.86.
- HD Supply Invoice # D844088 = \$ 13,338.00.
- Total Compliance Solution Invoice # 43318 = \$ 4,600.00.
- Ditch Witch Invoice # PO3586 = \$ 3,002.53.
- Lewis and Clark Water System- Banner Engineers Invoice M-201531= \$ 2,539.00.

- T E Underground Invoice # 2063 = \$ 5,230.00 and Invoice # 2060 = \$ 2,900.00.
- Bond Trust Services Invoice # 25110 = \$ 28,267.50.

Attorney's Report:

- **Red Rock Rural Water System – Termination Notice:** RRRWS accepted the two year notice for termination of the contract as of May 14, 2015. At this time if they are to contract it would only be a long term contract of 20 plus years. However before they would consider a contract they want to see how their Linstrom well does. It could be that LPRW could buy from RRRWS from the Linstrom well and RRRWS buy water in the south from LPRW.
- **Red Rock Rural Water System – Boundary Line:** RRRWS wants to have committees from both LPRW and RRRWS discuss the boundary line between the two utilities. RRRWS had two maps drawn up. One boundary line map showed a boundary line as LPRW board members felt had been established per a gentlemen's agreement. On it was superimposed the main transmission mains with water service radius therefrom of both utilities. This map showed some gaps in service between the two utilities. Board members felt this gave each utility the opportunity to check with the other about serving close to this line before proceeding on its own. And this would allow the potential customer to get service from the most reasonable and feasible source. This map promoted serving the customer. The other map incorporated areas that RRRWS would like to serve including two cities and far exceeded the gentlemen's agreement map. This revised map did not promote the reasonable feasibility of working with the customer from which utility could best serve the customer. And up front this second map seems to preclude the other utility from certain areas with little room for the utilities to work with one another. It was discussed whether the gentlemen's agreement would hold and whether a formal line is too binding and does not serve the customer well. Schriever related he had only been involved on the work of the original boundary map with the superimposed transmission main service area. The Board asked Schriever to draw up a map according to the original gentlemen's agreement for any further discussion with RRRWS officials.
- **USDA Loan Resoution:** Schramel presented the USDA loan resolution. M/S/P-U Spronk/Kraus to accept the USDA loan resolution.
- **2015 Board Appointments:** Then Schramel presented that Ufkin and Kling's terms expire at the end of the year. He has talked to them both and both are willing to serve another term. M/S/P-U Lonneman/Moen to approve Ufkin and Kling to serve another term. Schramel will prepare the papers and go to the 10 county boards and Judge bush for their approvals.
Then Spronk related that maybe he should resign next year due to his knowing he will be out for at least two meetings. The Board was of the consensus he should remain on the board and that he could participate electronically. Then they discussed the need to update the conference call system including video participation. The staff will look into this.
- **Engineer's Service Agreement:** As to this agreement, Schramel is investigating whether the USDA would allow the deletion of the paragraph that makes LPRW liable to DGR for reimbursement for any and all hazardous waste conditions and/or cleanup regardless whether LPRW has caused the condition or some third party. Although he has already been investigating this same matter for RRRWS for several weeks he has not gotten any response within the 60 day time frame required of the USDA to respond.

Schramel did not know if this clause was added by DGR or a standard USDA clause. Schriever said that it is in the standard contract provided by the USDA and that he did not know how this clause was put into the contract. M/S/P-U Kling/Feikema to approve the Engineer's Service Agreement.

- **Lincoln Pipestone Rural Water System Water Use Restrictions Policy:** Schramel had gotten a letter from Attorney John Engels who represents several cities in the north and read it into the record. Attorney Engels was concerned over the terms of the policy and suggested other terms. He also provided the WURP's he has drafted for the cities to adopt. Although the penalties differed greatly and they are much shorter, it is apparent the cities want to cooperate. After discussion, the LPRW policy does not need revision as it provides that if a city has enacted an ordinance and the city has implemented water restrictions thereunder at or before and during the time LPRW implements its restrictions that the city is not subject to the terms of the LPRW policy.

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:** Clarkfield has indicated that it will not be connecting to LPRW. The City will update its existing facilities. Then discussion ensued about the quality of their water. Schriever stated it is hard and has high sulfates but could have extra capacity. The Board directed the CEO to check with the City's Engineer, Bollig, to see if the planned work on the water plant would significantly enhance the water quality and if there is capacity that could be sold.
- **Bluegrass Proteins (near Dawson):** A May 14 email from Jim Nelson asked if LPRW wants to continue to pursue this potential water source even though Clarkfield has backed out. The board discussed briefly the various water source options in the Dawson area. To move forward with Bluegrass the Board would have to know if Bluegrass would sell or give a long term lease to a well and for land for a treatment facility and directed the CEO to follow up on this accordingly. Then the Water Resources and Equipment will need to meet and formulate any recommendations.
- **RRRWS:** Preliminary results from the RRRWS aquifer pump test and water quality sampling are positive. The likely next step is permitting for a permanent well and water use. They hope to develop a source of about 500 gpm. There was again more but short discussion regarding Water sales near Balatan , RRRWS's acceptance of the two year notice letter, the service boundaries and RRRWS's Linstrom well development.
- **Lewis and Clark:** The agreement for the LPRW Magnolia tap is already in place.
- **New Users Requests:** DGR is continuing to work on these as they come in.
- **Holland Permit:** Waiting to see what happens with potential legislative language changes. Schriever also attached a copy of the proposed legislative language.
- **RD Funding:** 2014-2015 Improvements projects has been approved for funding. The total project cost is \$4,539,000.00 funded with a RD loan of \$3,108,000 at 2.75% interest for 39 years, and \$130,940 annual debt service payment plus a RD grant of \$1,431,000.00 (31.5%).

DGR is working on the Engineering Services Agreement. The basic services agreement is \$ 277,420.00 lump sum; resident project observation is \$94,000.00 hourly (budget) and additional services (permits) is \$7,500.00 hourly (budget) for a total under this agreement for \$378,920.00.

- **Verdi Well Completion:** DGR has a very preliminary set of Plans and Specs drafted. Work on this project will continue as a high priority.
- **CIP Program:** Looking ahead at the other CIP phases Gernentz wants DGR to move forward now and address some of the PER comments for those projects and submit them for ER review by RD. In particular BIOTTTA needs to be addressed in case state PISG funding comes through this year so that RD can be ready to fund the loan portion of that project. The Board was of the consensus that the main from Magnolia to Edgerton should be placed on DGR's next agenda for funding. They asked if DGR did preliminary work on this project now would that cost be eligible for RD reimbursement like the Verdi well field. Schriever will check with Gernentz. DGR will be in a position to work on this in the fall after completing the high priority Verdi work first.

Regional Water Development Report:

- **Bluegrass Dairies /Clarkfield:** This was discussed previously.
- **Lewis and Clark:** Lonneman related that an Attorney David Gangi of South Dakota has been inquiring about how Lewis and Clark sets its water rates. It is not sure what group if any he represents but communications with him should be minimized and LPRW should direct any questions to Lewis and Clark Officials.

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

- **Tom Muller:** Muller presented that he has inventory bids from two of three companies, DSG and HD Supply. He is waiting on one from Ferguson. From these lists when ordering materials he will order from the low bidder for the bulk of the items and work to get the remainder of the items at the same or a competitive price compared to the low bid for those items. Cost of shipping will be held in account when ordering over using multiple suppliers.

Then it was discussed that the bucket truck that LPRW has borrowed from time to time is for sale for about \$13,000.00 or less. It is a small but right size truck. Engels pointed out that he has familiarity through a family member with aging bucket trucks and they must be able to be MNdot certified. Since this truck is older, any certification life and in turn useful life is limited and it would add insurance and maintenance and up keep costs. Then it was discussed that LPRW can rent lift equipment as needed and save over the cost of buying. Thus the purchase of this truck was by consensus deferred.

- **Shawn Nelson:** Nelson then presented that he had contractor bids and that he is working to get each contractor to accept the low bid dollar amount so that when one contractor is not available any other contractor could be called upon at the same pricing. This was how it was done last year. Later Lonneman and Weber and other Board members discussed and were of a consensus that LPRW should take in consideration the

value of services of these contractors as they have been called many times in the past on an emergency basis and have been good to respond during all types of adverse weather and conditions. Thus strict low bids here could damage that relation. LPRW should work with each contractor on his quotes and availability and to promote good relations. Following Nelson presented the excavator bids. Ufkin asked if this item had been budgeted and the CEO responded it had not been budgeted but pointed out from the balance sheet the general funds LPRW has on hand are sufficient to pay for this item. Weber and others stated that this item had been brought up several years ago for replacement and had been put off. They asked what it would take to repair the old excavator and its value. The excavator is worth \$18,000 and it will take over \$11,000 to keep it running. DeWilde stated why spend money to fix the machine and then trade it within a year when it is placed on next year's budget. Then the differences in the bids were discussed. Also it was noted from the bids the John Deere Excavator was more powerful and was bid on state bid. Schramel stated when a bid is based on state bid pricing then it can be legally accepted without obtaining other bids. The Deere bid lists for \$158,500.00, with no repair as-is trade-in offered at \$28,300.00 and after taxes net cost is \$139,151.25. Also as a part of this bid is a 3 year 3000 hour maintenance warranty at no extra cost. M/S/P-U Ufkin/Feikema to accept the John Deere bid per the trade in and warranty quote.

- **Jason Overby:** Jamie Mayes of Utility Services Group has been asked to provide reports on the wells it has rehabbed for the last two Board meetings. None have been provided.

Recent rains have given relief to the drought conditions to a point by raising aquifer levels about 1 and 1/2 feet. Still more rain is needed to give long term relief. Overby has been formulating a drought management action plan. He presented and discussed with the Board the DNR water use regulations and priority list and the adopted LPRW emergency response plan for drought action. Still he is looking at developing and formulating a more objective basis for trigger actions for implementing water use restrictions which regard aquifer levels at any time of the year. Frozen ground can tie up an aquifer from being recharged as much as a drought can affect an aquifer. He has visited with Erik Roos of the City of Worthington and the City has a methodology that looks at aquifer levels and trigger action events whether it is summer or winter when the aquifers reach certain set point levels.

Then it was brought up that there is a hook up in the Marshall area due to Marshall's well project and Marshall is paying for it. Board Members brought up that there was a plan that Marshall was to install a water main to the LPRW system in the Woods Lake area for such well failures. The CEO stated he had two years ago talked to Brad Roos of MMU about this but MMU was not interested in paying for this main. The CEO should revisit this matter Roos and find out if MMU's plans have changed due to this incident.

- **Jodi Greer:** The Paymentus Credit Card Payment online contract terms are still being worked out. The CEO stated Paymentus is requiring an unexpected second contract with a banking agent as to credit card processing. This contract calls for LPRW to do

certain things should credit card data come to it inadvertently. He feels that before he can recommend that LPRW sign this contract that LPRW needs to adopt a Credit Card handling policy for such inadvertent information and will present that at the next Board meeting.

Greer and Overby brought up that the office server had been failing and that Ron Carr was about to turn it off and re-boot it. However, after a call to Marcos, Chad of Marcos advised not to turn off the server or data and programs could be lost. Marcos, pre-IT contract, sent Chad to work on it and keep it running until it can be replaced. This is the server that was scheduled to be replaced already this year under the RD projects as it is old and its software, Microsoft 2003, will no longer be supported after July 3, 2015. Marcos has been with LPRW giving strong IT guidance throughout this whole emergency situation. The CEO pointed out that he had three different manufacturers' server bids (HP, Cisco and Lenovo) from Marcos which is acceptable to RD for bid purposes and then in addition he obtained bids from two other computer companies. The most satisfactory and expedient bid with the best expertise support was that of Marcos. He had authorized this bid after getting RD approval to move forward on this project on an emergency basis. Marcos's low bid was at \$12,800 range while TMCI was \$12,300 for an HP while Computers and Beyond bid a Lenovo at about \$14,000. Also the installation charges by Marcos involves a discounted service contract for \$9,000 that will allow any non-used hours to be applied to other services in the future. The other companies only bid for the server installation and really do not have any comprehension of the overall needs of the SCADA system that needs to be updated and integrated into the system. He will forward the Board the bid information later as it was not made available during the meeting. It was explained there are several smaller hardware items outside the server that will be installed too, a fire and sonic wall and two wi-fi units to separate SCADA wi-fi from office computer and ipad wi-fi. The CEO will provide late the exact quotes to the board members since it was not provided at the Board meeting. M/S/P-U to accept the server bid and associated hardware and the discounted service contract from Marcos.

The CEO then pointed out that because of the software upgrades with the new server and the fact that Microsoft will no longer support Microsoft 2003 that in turn the Wunderware software for the server and other computers will have to be upgraded as a consequence. This is regardless of which vendor provides the server or computers.

CEO's Report:

- **Cities Meetin at Wilmont- Minneota – Ghent, etc.:** The CEO presented that he and Overby had attended the Wilmont Board Meeting. Wilmont had opened its meeting facility to any other cities so LPRW could present and explain its WURP recently adopted. The meeting was well received by all the cities in attendance, Wilmont and Round Lake. At the meeting one of the commissioners asked about moratoriums on hookups and whether there would be enough water for the 39 or so hog units planned in Nobles County. Overby explained LPRW did not know of that many hookups and it

was discussed that the County should communicate with the water providers and require the permittees to have the DNR or a utility sign off on the form so they can prove where they would get water for their facilities. Rock County already requires this. Overby and the CEO had assured this commissioner that in the south there is ample water provided from OCRWS compared to the other service areas served by LPRW aquifers. After discussion on this matter by the LPRW Board, the CEO will renew his efforts to get the Counties to require permittees to have the DNR or a utility sign off on the permit so they can prove where they will get their water.

The next City meeting had been arranged with Ufkin and will be held at Minneota May 19th at 7:00 pm.

- **Server Bids (RD Office Project):** This matter had already been discussed.
- **LBG Justification for Payment Over the Contracted Amount:** Dave Hume had sent the CEO his justification for LBG requesting to be paid higher than the “not to exceed” contract amount for doing the Burr Scope 1 Wellhead Protection plan. The justification revolved around the fact that LBG could not accurately price its work prior to knowing the full characteristics of the aquifer and thus which modeling would be needed. The Board when awarding LBG this contract had noted the “not-to-exceed” pricing and had taken the LBG accordingly although it was slightly higher than the other bid. Some felt LBG could have priced the contract higher or added an alternative price for more complex modeling. Schramel reported that LBG had done the same thing with Red Rock Rural Water System and RRRWS had elected to pay the higher amount. M/S/P 9 for, 1 against, Lonneman/Feikema to not accept the justification for the extra amount on this contract. Weber had voted against this motion and stated that he felt they had done the work but still feels this will send the message needed to LBG.
- **City of Ghent:** John Engels, Attorney for the City of Ghent presented a proposed Agreement between LPRW and the City of Ghent. This agreement varied many terms from the current contract and was written favorable to Ghent to include additional capacity without having to pay the LPRW City capacity fee. The Board discussed this matter again and is of the consensus that a letter be sent outlining what LPRW’s requires for a second meter to be installed. M/S/P-U Ufkin/Buysse to write a letter and tell the City that no second meter will be allowed without accepting all the terms which LPRW has previously outlined and with the proviso that all things must be settled including establishing that the dollars will be paid.
- **Electrical Training of Two Water Operators in Mitchell, SD:** The CEO informed the Board that he will be sending two water operators to electrical and SCADA training at Mitchell Technical School. This is a program set up by the South Dakota Rural Water Association and South Dakota Managers Group specifically to provide training for water operators. This will be something the CEO plans to send others to each year.

Committee Reports:

- **Executive Committee:** Nothing to report.

- **Personnel Committee:** New Hire Applications will be taken for the position of Water System Operator until the close of the business day of May 29th. The Personnel Committee will then need to meet in June to conduct interviews for a new hire.
- **Water Resources and Equipment Committee:** The Water Resources and Equipment Committee will need to meet to discuss matters on the Bluegrass Proteins site and other North water sources.
- **Budget and Finance Committee:** Nothing to report.
- **Joint Powers Board Representative:** Nothing to report.

Other Business:

- **Comments from Schriever:** Schriever stated that the Governor will likely veto the budget and if so there will be a second session of the legislature this year.
- **SCADA and Single Sourcing:** Schriever pointed out that as to SCADA there remains the issue of single sourcing. He has no strong opinion on this either way. There is some interest from other providers. However, if LPRW did switch vendors there is no guarantee that any other vendor would have backup staffing should their main support person be unavailable. And LPRW would be in the same position it is in now with no backup to Jerry of Quality Control. Also this would make LPRW have two vendors to deal with as only the south portion is to be upgraded. The CEO asked since Wunderware software needs to be upgraded to be compatible with the new server and its software if that would require LPRW to have to contract with Quality Control for the SCADA upgrade. Schriever responded that the SCADA is not dependent on this software and that is not an issue in selecting a vendor. Then Muller asked what type of documentation of the software for the existing system exists. Schriever responded that there is a disk with the information on it somewhere but how current and extensive it is, is not known.

Public Comment: None

Adjournment: M/S/P-U Lonneman/Weber to adjourn at 9:15 p.m. The next meeting will be held Monday, June 29, 2105 at 6:00 p.m. at the main office in Lake Benton.

, Janice Moen, Secretary.