

## LINCOLN PIPESTONE RURAL WATER SYSTEM

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### Meeting Minutes

**August 31, 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 August 31, 2015, starting late at 6:30 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, Rod Spronk, Jan Moen, and Joe Weber present. Also present were Board Attorney Ron Schramel, DGR Engineers Darin Schriever, CEO Mark Johnson, Field Superintendent Shawn Nelson, Operations Manager Jason Overby and Enterprise Technician Jodi Greer present. Also joining the meeting was Mike Moeller.

**Agenda:** M/S/P - U Lonneman/DeWilde to approve the agenda as changed. The Personnel Committee matter will be taken up last.

**Minutes:** M/S/P - U Feikema/Buysse to accept the July Board Minutes; the Budget and Finance Committee Meeting Minutes of 8/17/2015 and the verbal minutes of 8/31/2015; the Water Resources and Equipment Committee minutes of 8-25-2015; and the Personnel Committee minutes as presented from 8-24-2015 and 8-25-2015.

The Budget and Finance Committee recommended to the full board water rates and a budget for 2015.

**Treasurer's Report:** M/S/P-U Moen/Weber to approve the Treasurer's report. The CEO stated that revenues are higher due to summer usage and are on track with the budget.

**Pending Bills:** M/S/P – U Lonneman/Ufkin to approve paying the bills.

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #166 = \$ 11,164.01; New Water Development ppe - #85= \$ 1,752.00; and 2014-2015 Improvements Project Invoice #3 = \$ 22,493.60.
- Schramel General Legal Services = \$ 2,986.00 and Expansion Project = \$1,749.80.
- GS Systems, Inc.(Wonderware) Invoice # 11859 = \$ 24,733.05 and Invoice # 11890 = \$ 3,015.00.
- Engineering America, Inc. Invoice # 12486 = \$2,685.00.
- C&K Construction Invoice # 2138, Jobs 1-9 = \$101,168.55.

**Meet with Todd Alderson as to Transfer Fee Charges:** Mr. Alderson did not appear.

**Meet with Mike Moeller as to Rental Contract:** Mr. Moeller appeared before the Board concerning the renewal of the contract as to two tracts of land at the Holland wellfield. The contract was reviewed and the terms are acceptable. Moeller understands that he is to utilize the FSA funds to establish the land in CRP and then LPRW would assist at that time. The lands have to be maintained to satisfy the CRP program and it is Moeller's responsibility to do

maintain the lands accordingly. Moeller is to get with the FSA about the seed mix to apply. M/S/P-U Weber/DeWilde to approve the contract as presented.

**Attorney's Report:** The Meeting with the Lincoln County Board had gone well as to interim and permanent financing and asking Lincoln County to be the lead county but the Board deferred to act wanting to hear first from its Bonding Agent and to know the impact of the bonding on the County's bonding ability. Also the County Board wants the other counties to sign onto the obligations of these bonds. The CEO will be at the next Lincoln County Board meeting on September 1, 2015 when this matter is to be taken up again.

The CEO and Spronk will be meeting with the officials of Pipestone County about being the lead county for Priority 2 which involves the Magnolia to Edgerton Lewis and Clark main.

**Engineer's Report:** Schriever presented:

- **Blue Grass Proteins:** Nothing to report. The CEO stated he had another email where Blue Grass wants LPRW to come to Kentucky to discuss water resources. He has asked if they would be here in October or November but has not had a response yet.
- **RRRWS:** Red Rock Rural Water still plans to begin test pumping at Linstrom in soon. They are expecting results of 400-500 gpm. Their Jackson-Martin plans and specifications have been submitted to RD for review. DGR is beginning work on a map as to the service area boundaries.
- **Lewis and Clark:** Nothing New to report.
- **Holland Permit:** See below.
- **RD Funding:** See below.
- **CIP Program:** Priority #1 -2014-2015 Improvements Project (Verdi well completion & Holland well field control upgrades, SCADA upgrades, misc. distribution improvements)-
  - Funded by RD
    - Total Project Cost: \$4,539,000.
    - RD Loan: \$3,108,000 (2.75%,39 yrs, \$130,940 annual)
    - RD Grant: \$1,431,000 (31.5%)
  - Part 1 – Water source and Control Upgrades – Plans and Specs have been submitted to RD and MDH for review. MDH review comments have been received. Still waiting for RD review comments.
  - Part 2 Misc. Distribution System Improvements - in design.
- Priority #2 – 2016 Improvements Project (Magnolia to Edgerton pipeline, rebuild Edgerton Pump Station and GSR, rebuild Verdi Pump Station and GSR, SCADA upgrades)
  - DGR will update PER/ER this fall. (Recommended authorization of archaeological work- proposal from Stemper for \$6,550).
  - Potentially obtain RD funding by January, 2016.
    - Expect 2.125% interest rate.

- MN Public Finance Authority (PFA) has announced the draft Priority List (PPL) and Intended Use Plan (IUP). LPRW's application scored very well (36 of 297), and is well above last year's funding cutoff level. PSIG announcements have not yet been made.
- Considering the addition of the automatic meter reading (AMR) system to the project.
- **Comprehensive Tank Maintenance Plan:**
  - Four (4) elevated tanks (Hendricks, Ivanhoe, Minneota, and Rushmore) are due for the triennial CIT (Cleaning, Inspection, and Touch-up) in 2015.
  - Original proposal from DGR for \$8,039 consisted of standard CIT for Hendricks, Ivanhoe and Rushmore and float-down CIT for Minneota.
  - Follow-up proposal from DGR was requested by LPRW for \$15,300 (estimate) consisted of 4 tank inspections with diving service.

Hendricks and Ivanhoe are scheduled for complete recoats in 2018 (to be confirmed by 2015 CIT); budget \$310,000.00.

Chandler CIT was completed in fall of 2014; complete interior and exterior recoat is recommended in 2016 or 2017; budget \$385,000.

Schriever noted the tank coatings cost has escalated not from general inflation but due to a change in the recommended coating type that should have a longer and more durable life. This had not been effectively communicated by DGR to LPRW. DGR is aware that LPRW is not satisfied with the performance of Owens. Then Schriever was asked about the quality of the tank work at Hendricks. Part of it stemmed from LPRW budgetary cuts and thus in turn a lower specified quality of work had been performed. Schriever and Overby are working together as to providing DGR with other needed information to develop a more comprehensive program.

Discussion then moved to the effect of the PSIG funding on raising the cost of the project overall so as to comply the funding's requirements. Also the effect on the RD grant against any PSIG grant was discussed and it was indeterminate what that effect is, especially since this project would have to be submitted to RD for actual finance determination.

#### **Regional Water Development Report:**

- **Bluegrass Dairies /Clarkfield:** Discussed previously.
- **Lewis and Clark:** Nothing new to report.
- **Osceola:** The CEO has scheduled a meeting with Doug Westerman, General Manager, OCWRS, to let him know the intentions of LPRW as to future water purchases. Ufkin asked, what are those intentions? The CEO responded that in mid-2017 when water is available to Adrian then LPRW would purchase some 250,000 gallons per day less and then when Worthington ceases to purchase water from LPRW near the end of 2018, then LPRW would cease purchasing some 1,000,000 gallons per day more and take only about 400-450,000 gallons per day at that time. The CEO asked Lonneman if he would attend this meeting. Lonneman stated that the CEO should take and provide to OCRWS a copy of Worthington's letter of intentions.

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

- **Shawn Nelson:** Three services remain to be done and his crew is working on road projects.
- **Jason Overby:** There will be a Well Head Protection meeting in mid-September. The Holland aquifer is up 4-10 feet or averaging 4-5 feet. Burr has been backed down to average rates due to the above average rains in August. But Burr is still taking the maximum from Brookings-Deuel. The Highway 60 booster pump was pulled for repair. Jerry Kastner of Quality Control Inc and Chad Ronshaugen of Marco are working together on the computer and SCADA upgrades. The State and EPA are allowing the utilities to lower the fluoride concentration levels. LPRW already has adjusted its levels and in turn has notified the bulk users (cities) of this so they can in turn notify their users. This should save some \$20,000 per year. Buysse asked about the SD wells and if LPRW is doing enough to keep them permitted. Schriever said, "Yes."
- **Jodi Greer:** Greer then related the pricing she has found for the Toughbook replacements for the fieldmen, the Conference phone and the IPADs for the Board. Greer explained that the Microsoft upgrades has made the software programming obsolete on the toughbooks and also the toughbooks are also well beyond their useful life. M/S/P-U Ufkin/Moen to authorize the purchase at the best price of the wireless conference phone and I-PADS with cell phone and with a keypad for those wanting it and sell the old I-PADS at fair market value.

**CEO's Report:** Nothing to Report.

### **Committee Reports:**

- **Executive Committee:** Nothing to report.
- **Personnel Committee: Water Resources and Equipment Committee:** Recommendations as to Salaries and Promotions were taken up along with the Budget recommendations.
- **Budget and Finance Committee:** Recommendations on Budget and Water Rates for 2015. The CEO related that the Budget and Finance Committee had explored and developed a rate structure for 2016 with a look at subsequent years but were only recommending a proposed structure for 2016. Spronk had shared via email several other utilities' rates and all had significantly higher minimums with no or very low usage associated with the minimum. Lonneman related that Rock County charges monthly \$28 minimum for a ¾" meter and \$38 for a 1" meter. Also non-water utilities charge high minimums. The rural water customer rates proposed raises the monthly minimum to \$27.00 or an increase of \$4.95 without any associated usage. The rural customer user rate increases for each use level \$0.05 per 1,000 gallons, i.e. for the first 5,000 gallons of water the rate is \$2.41/ 1,000 gallons; for 5,001 to 10,000 gallons the rate is \$2.48 / 1,000 gallons; for 10,001 to 20,000 gallons the rate is \$2.53/ 1,000 gallons; and the rate for above 20,000 gallons is \$2.58/ 1,000 gallons. For the Cities the rate increase only \$0.05/ 1,000 gallons or to \$2.36/ 1,000 gallons for all usage and there is no minimum. DeWilde asked why the rate is proposed to be only \$0.05 and not

\$0.10/ 1,000 gallons. Lonneman stated that other utilities do not have high hookup fees and the water rate is how they cover their debt service on the infrastructure. If the user rates go too high the big users will operate wells and cisterns and cut back on using LPRW water. Big users are few but bring in significant revenue. M/S/P-U Ufkin/Feikema to adopt the rates as recommended from the Budget and Finance Committee.

Then the CEO presented the 2016 Budget for adoption. The budget document also presented an extended budget analysis over years 2017-2020. A part of the 2016 Budget includes the recommendations of the Personnel Committee as to salaries and promotions. The proposed salaries were based on updated cost of living pay tables which would supersede the 2014 pay-tables. The salaries over the past two years have only escalated either per this pay table or through promotions. The 2016 effect is that apart from the new hire there would be over a 4% increase in the base level of pay. Also as to the benefits the health insurance is going up 12.5% but when considering the stop-gap limit of \$960 /month premium from 2009 against its today inflated value of \$1067 the new premium of \$1017/ month plus the HSA employer contribution of \$43 per month would be virtually equal. Thus the Personnel Committee had recommended that the employer continue paying the premium and the HSA contribution at the current level on behalf of the employee. The effect of the new pay-table carried out showed a salary adjustment of just over 1% in 2017. There is an expectation that the pay-table would continue for more than one year. The Personnel Committee also recommended a salary increase for the CEO of \$1,500.

Concerning the proposed budget for 2016 Ufkin noted that the extended projected portion of the budget in years 2019 and 2020 had a math error that significantly affected those future years' bottom line. The error revolved around the stated increase in cost of purchasing Lewis and Clark water not being totaled into the total cost of purchase line. For 2017 the Holland numbers might be adjusted. The CEO remained confident that the numbers for 2016 were good as the matters presented are matters not occurring in 2016 and thus the budget for 2016 is sound. The Board as a consensus decided to table the Budget and Salaries proposals until next month. The CEO should provide more detail as to the salaries proposal.

- **Joint Powers Board Representative:** Nothing to report.

#### **Other Business:**

- **Pipestone SWCD Request helping Fund a Water Resources Technician:** Kyle Krier of the Pipestone SWCD is seeking grants and participatory utility funding for a full time water resources technician over the next two years. This technician would help educate and train farmers cropping within the drinking water well management areas on best management practices and the beneficial effects derived therefrom. Krier wants LPRW to participate at least \$10,000 annually using grants from the MDH. Overby related LPRW desired use for those funds are already lined out differently over the next year and so would not be available. The CEO reported this person would not be able to assist

in promoting RIM programs and LPRW would not have the latitude to give specific direction to the person in this position. Weber and Kraus stated the SWCD's are already supposed to be doing this work and there are not any significant funds available to enhance the work they are doing. Thus based on the available information M/S/P-U Spronk/Kling that LPRW should not participate in funding this position.

- **Stemper Proposal:** Discussed previously. M/S/P-U Buysse/Weber to approve the Stemper contract.
- **CEO Evaluation:** Weber asked to close the meeting but no action on closing the meeting per the advice of Schramel. The overall surveys were presented both from the Board and the staff. The Board's surveys were more positive with some negative while the staff's responses were more negative. The overall consensus is that the relation of the staff and CEO needs to improve greatly and fast. Overby and Greer were asked to speak on their perception of the matter. Ufkin related it was not fair to ask them to speak with the CEO present. Both related that there are problems but that the staff were not knowledgeable in all matters and that to work daily and closely with the CEO they had a different perspective of how the CEO is managing staff. Overby related the survey is flawed in that it gave three level of choices for good work while only one for bad performance. The staff surveys comments seemed like they were answered too similarly and one was answered in less time than the questions could reasonably have been read. Kling related that he had calls from some staff asking if they should fill out the form for they feared retribution should their anonymous answers become tied to them. Schramel asked Kling if these employees gave any specifics of any retribution received. There were no specifics. Schramel asked the CEO about some very offending comments. He found the language offensive and unproductive. Lonneman was concerned that the administration has grown too large during the CEO's tenure. Ufkin related that the promoting of Overby to Operations Manager was for the purpose of managing the employees. Ufkin asked the Personnel Committee what steps they would be taking to address the situation. Weber said something has to be done and done now.

**Public Comment:** None

**Adjournment:** M/S/P-U Weber/Feikema to change the start time for the next meeting to 7:00 p.m. M/S/P-U Lonneman/Feikema to adjourn at 10:15 p.m. The next meeting will be held Monday, September 28, 2105 at 7:00 p.m. at the main office in Lake Benton.

\_\_\_\_\_, Janice Moen,  
Secretary.