

## LINCOLN PIPESTONE RURAL WATER SYSTEM

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### Meeting Minutes

**July 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 July 27, 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, Rod Spronk, Jan Moen, and Joe Weber present. Also present were Board Attorney Ron Schramel, DGR Engineers Darin Schriever, 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 Lonneman/Feikema to approve the agenda.

**Minutes:** M/S/P - U Ufkin/Weber to accept the June Board Minutes; the Water Resources and Equipment Committee minutes; and the Personnel Committee verbal minutes as presented. The Personnel Committee minutes highlighted that Irwin had declined the offer of employment. The staff felt that Gum would be the best choice of the remaining interviewed candidates but he should be re-interviewed before being offered the position. The CEO should be again evaluated by both the Board and staff. Then Ufkin suggested that Irwin should have been given through probation period rather than 30 days to move into the system. The CEO stated he had discussed the issue of moving into the system as a condition of employment as soon as he could and Irwin may have implied the 30 days therefrom. Feikema related Irwin knew from the interviews he would need to move into the system as part of his employment for being on call and using a company vehicle.

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

**Pending Bills:** M/S/P - U Moen/Kling to approve paying the bills. Lonneman asked about the Ervin bill and if that should be given over to USG to pay under it as contract. The CEO stated that this well is under I contract with USG and USG has indicated it would pay the bill if presented. Currently the well has not been rehabbed and thus the situation is pending whether to rescind this contract and the remaining Verdi contracts. This is because staff did not feel the results with Verdi well #1 were as significant as hoped. This is attributed to the fact that the Verdi wells are more pristine in water quality than the Holland wells having neither nitrate or iron and manganese issues. This rescission issue will be finalized in the early fall. As to the Riley bill for tiling repair the CEO pointed out that this is another Nobles County 2008-10 project issue. When Overby was asked why the location was missed by 38 feet; Overby related that LPRW has only one accurate GIS device and any others are accurate to only within 17 feet. Further when locating plastic pipe, the locate is only as good as the original locate and if it was faulty then so will be the current locate. Much of the 08-10 project was located 30 days after backfill and thus not knowing where the pipes truly lay. Muller explained that the high cost on this bill was due to repairing 400 linear feet of tile.

- DeWild, Grant, Rechert and Associates Company: General Services Invoice #165 = \$ 15,186.92; New Water Development ppe - #84= \$ 300.00 and 2014-2015 Improvements Project Invoice #2 = \$ 40,225.90; and Comprehensive Tank Maintenance Plan Invoice # 00214639 = \$1,411.00.
- Schramel General Legal Services = \$ 2,387.60 and Expansion Project = \$1,409.50.
- Ervin Well Company Invoice # 580 = \$ 2,856.78.
- Meulebroeck, Taubert & Co., PLLP Annual Audit = \$ 12,300.00.
- Dakota Supply Group Invoice # B446565 = \$ 16,217.21; Invoice # B408688 = \$ 1,536.49; and Invoice # B430276 = \$ 1,015.69.
- Boulton Trailer, Invoice # 841969 = \$ 6,314.00.
- Northland Trust, Pipestone GO bonds, Invoice # Nobles13A= \$ 43,448.13.
- Mike Riley, Invoice # 124 = \$ 3,074.14.
- T E Underground, Invoice # 2138 = \$ 1,960.00.
- Lewis and Clark, Invoice # M-201533 = \$ 89,602.50.

**Attorney's Report:** Schramel stated he has looked into the law to see if a Board member can be paid for attending a meeting via conference call. Minnesota law allows this type remuneration. Discussion on the matter revolved around that even for a phone call the Board Member must stop other activities to participate. M/S/P - U Ufkin/Weber to approve paying Board Members attending via conference calls \$50.00 for up to the first hour or when longer then to follow the standard pay rates for short and long meetings for Board Members

All 10 counties have approved the re-appointments of Ufkin and Kling.

For financing Priority 1 with G.O. Bonds LPRW needs the approval of all 10 counties and will need a lead county; most likely Lincoln County. Weber and Engels stated that at the presentation of the annual audit that the Lincoln Commissioners had been asked to have Lincoln County be the lead on these bonds. Weber stated that the CEO should arrange for LPRW to be on the agenda in August to formally make this request. Also, after discussion it was determined that Pipestone County should be the lead county for Priority 2. Since there are annual bonding limits for counties and these counties could have their own projects to finance; it is best to notify them early of LPRW's intentions.

Schramel has completed all the work he can do in preparation for Rural Development. He stated RD still needs to approve the Engineer's Report. Schriever thought DGR was clear with RD on the engineering. The Board directed Schriever to check on this matter as the SD Verdi wells need to be completed this fall. When Lonneman asked about why the construction for Verdi is delayed when DGR had been directed in March to make them a priority, Schriever stated after beginning the project that it was more feasible to present the project as a whole than in parts.

As to the interim financing process, Schramel asked when the money will be needed. Schriever stated that RD needs to 3-5 weeks to review the plans and specifications and there will still be a response time. He is still hoping that construction can start this fall.

The CEO stated he has looked into alternative interim financiers but most require that the money be taken in advance and invested for interest savings. But since he cannot get a handle on a construction draw down schedule that it would be best to go to Minnesota Rural Water Association which holds the money and does not charge interest until the funds are drawn down. Ufkin encouraged that LPRW first use its funds on hand to the extent it can so as to save interim interest charges as those funds would be subsequently paid back from permanent financing.

Then Schramel related that he has researched the issue of Lewis and Clark serving water out of state and their permitted allocation. He is comfortable that all is in order, and besides, LPRW is moving on with its project to be able to take Lewis and Clark water.

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

- **Blue Grass Proteins:** Nothing to report. The CEO stated he had last week received an email from Kerry Williams, Manager of the Dawson plant who works out of Kentucky at headquarters. He had wanted to have the CEO visit there to discuss more on the acquisition of a water supply at the Dawson plant. The CEO was disinclined to make this kind of visit and discussed the matter with the Water Resources Committee before responding that the committee would be available to discuss this matter at the Dawson Plant and to arrange a meeting accordingly. He has followed through with Williams and their CEO will be in Minnesota in September. He will try to arrange a meeting with Bluegrass Proteins about purchasing and/or acquiring permanent easement to wells and land. CEO Billy Williams, Bluegrass Dairies, the parent company, related that he would have to present this matter to his board for any approval.
- **RRRWS:** Red Rock Rural Water will begin test pumping at Linstrom in August. They are expecting results of 400-500 gpm. Their Jackson-Martin plans and specifications have been submitted to RD for review. There is nothing new as to the service area boundaries.
- **Lewis and Clark:**
- **Holland Permit:** The PSIG application will be submitted this week.
- **RD Funding:** - 2014-2015 Improvements Project:  
The total Project Cost is \$4,539,000 consisting of an RD loan of \$3,108,000 (2.75%, 39 yrs, \$130,940 annual payment) and RD grant of \$1,431,000 (31.5%). Part 1- Water Source and Control upgrades plans and specifications have been submitted to RD and MDH for review. Part 2 - Miscellaneous Distribution System Improvements - is being designed.
- **CIP Program:** DGR updated Table 12 - Schriever referenced the new CIP priorities (currently dated July 27, 2015). He related RD has recommended including all projects related to Holland be placed into the next funding application. This is so LPRW can take advantage of the poverty rate interest (2.125%) and project affordability calculations and the extent of the potential grant. RD will require a PER and ER update for the newly defined project. Gernentz expects Congress to pass a continuing resolution and money would likely be available in January, 2016. The PER update should be approved by RD by November, 2015 to get money in January, 2016. The next

- option would be pooling funds in April, 2016. Schriever presented possible grant funding as to the revised Priority #2 projects which could be up to 50% or more overall. The CEO emphasized that Gernentz was recommending adding as many related projects as possible to advantage the poverty rate. After discussion of the low debt service thus attributable from the poverty rate even after adding more projects then Ufkin suggested that the Automatic Meter Reading project should be offered to Gernentz for funding under this priority. During discussion it was asked if Gernentz could evaluate the extra projects for the extent of loans, debt service and the elasticity of the grant on a project by project added basis and if the debt service was unaffordable then LPRW could remove these additions. Gernentz can only analyze projects for eligibility based on a submitted PER/ER basis and to remove a project would require a new PER/ER or loss against any grant approved. Then the board members discussed hypothetical debt service and grants from recent prior experience. M/S/P – U Spronk /Moen to approve the revisions to the projects to be placed under Priority 2 and if acceptable to RD to add the AMR program to these list of projects for funding at the RD poverty rate financing. Schriever will contact Gernentz about the eligibility of this project for RD funding under this priority.
- **Comprehensive Tank Maintenance Plan:** Four (4) elevated tanks (Hnedricks, Ivanhoe, Minneota and Rushmore) are due for the triennial CIT (Cleaning, Inpsection, and Touch-up) in 2015. Originally the proposal from DGR for \$8,039 consisted of standard CIT for Hendricks, Ivanhoe and Rushmore and a float-down CIT for Minneota. A follow-up proposal from DGR as 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 a 2015 CIT) with a budgeted amount of \$310,000. The Chandler CIT was completed in fall of 2014. The complete interior and exterior recoat is recommended in 2016 or 2017 at a budget of \$385,000.

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

- **Bluegrass Dairies /Clarkfield:** This was discussed previously.
- **Lewis and Clark:** Worthington Meeting: Lonneman reported that Engels, Muller and he had met with Scott Hain, Public Works Director, and a Water Council member concerning acquiring a letter of intention as to purchasing water from LPRW after Worthington begins receiving water from Lewis and Clark. The meeting was cordial but Worthington in its economic prudence will be taking all its water from Lewis and Clark some 1.9 Million gallons per day at a much lower rate versus only the 1 Million gallons per day at a higher rate from LPRW. It was discussed that some waters would be taken to keep the mains fresh but that would be minimal. They would take this matter to their council and issue a letter following within a week so LPRW could get it to RD timely.

At this point the meeting was turned over to Muller to discuss the impact of Lewis and Clark on the LPRW system and in particular the Holland and Osceola Service areas. Muller explained based on June 2015 usages that 49 million gallons flowed in from

Osceola and 34 million gallons from Holland into these two areas. He then broke down the usages into the sub areas Edgerton took 17.1 million gallons from Holland and 6 million gallons from Osceola. Of that Edgerton moved 6.5 million gallons into Leota and 8.4 million gallons through Chandler toward Lismore which also received the 6 million gallons from Osceola via the Lismore pump station. Woodstock took 6.7 million gallons from Holland. Worthington took 29 gallons million from Osceola. That left Holland supplying 13 million to the immediate area around the Holland WTP. And Osceola supplied the other customers outside Worthington and south of the Lismore Booster some 13 Million gallosn. Verdi during this period sole source supplied 9.7 million gallons the Jasper service area. Using these numbers as the controls Lewis and Clark current allocation can supply through the Magnolia to Edgerton pipe, new booster and new tank enough water to replace what Holland provides to Edgerton and Woodstock plus feed back toward the Holland WTP service area some 6 Million gallons. Some of the allocation from Lewis and Clark will come from the Adrian connection and replace what Osceola supplies to Lismore. Then Holland would be able to take back the Jasper service area even at its impaired production volume and aid Verdi. Verdi then could be looked at to supply more water toward Burr but on a very limited basis due to water main size restrictions. Muller concluded that the Magnolia to Edgerton water main and appurtenances is workable and Holland is capable of supplying 250-300 gpm without the RO system in service.

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

- **Tom Muller:** Nothing more to add.
- **Shawn Nelson:** All new services in the north area have been installed. He is concentrating now on valve maintenance.
- **Jason Overby:** LBG has finished the draft to Part 1 of the Burr Well Head Protection Program. It will be submitted to the MDH for its review and approval. The Verdi aquifer is up 4-5 feet and Holland is up 2-21/2 feet. Weber mentioned that Verdi got 4 inches of rain in the last two weeks. The Holland VFD just failed. The band-aid operations currently is to put the other pump in lead.
- **Jodi Greer:** Chad of Marcos brought out the new computers and is working with Kastner of QCI as to integrating the SCADA software. Currently 22 hookups have paid their \$ 6,000.00 initial capacity fee. There appears there will be at least 30 hookups this year.

Lonneman pointed out the importance of pit safety as there has been a report of 2 persons dying from entering a pit with bad gases.

#### **CEO's Report:**

- **South Dakota Managers Meeting:** The CEO related that Overby and he had attended the South Dakota Managers meeting in Tea and that there were a number of issues relevant to LPRW discussed cybersecurity insurance, water rates, AMR, etc. Overby discussed how it was great to hear each manager discuss issues and resolutions, etc. He

learned a lot of how these managers were handling financing AMR, choosing technology and what issues arose with the products.

**Committee Reports:**

- **Executive Committee:** Nothing to report.
- **Personnel Committee:** **Water Resources and Equipment Committee:** New Hire: This matter had been discussed previously.
- **Budget and Finance Committee:** The Budget and Finance Committee meeting was rescheduled until August 17, 2015 at 5:00 p.m.
- **Joint Powers Board Representative:** Nothing to report.

**Other Business:**

- **Authorize Cooperative Purchasing (State Bid) Agreement:** The CEO pointed out that he needed a resolution to authorization LPRW to participate in this program. M/S/P – U Ufkin/Lonneman to resolve that LPRW participate in the Authorized Cooperative Purchasing Agreement and that the CEO is authorized to sign this agreement.
- **Sign PSIG Agreement:** The CEO then pointed out that he needed a resolution for LPRW to participate in the Point Source Implementation Grant Program for MPFA both for MDH drinking water and MPCA clean water loan regardless of the fact RD will actually fund the loan portion. M/S/P – U Lonneman/Kraus to approve LPRW to apply for the PSIG drinking and clean water loan with the MPA and authorized the CEO to sign this application.

Then it was the consensus of the Board that Muller proceed with getting Crop Damage Easements for the Magnolia to Edgerton water main and acquiring land for the booster station.

**Public Comment:** None

**Adjournment:** M/S/P-U DeWilde/Spronk to adjourn at 9:05 p.m. The next meeting will be held Monday, August 31, 2105 at 6:00 p.m. at the main office in Lake Benton.

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