LINCOLN PIPESTONE RURAL WATER SYSTEM

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**Meeting Minutes**

**November 24, 2014**

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, November 24, 2014 starting at 10:00 a.m. Chairman Frank Engels called the meeting to order with Commissioners Joe Weber, Norris Peterson, Earl DeWilde, Mitch Kling, Brent Feikema, Ken Buysse and Jerry Lonneman with Bill Ufkin, Janice Moen and Rod Spronk absent. Also present were Board Attorney Ron Schramel, CEO Mark Johnson, Field Superintendents Tom Muller and Shawn Nelson. DGR Engineer Darin Schriever and Operations Manager Jason Overby were absent.

**Agenda:** M/S/P-U Peterson/DeWilde to approve the agenda.

**Minutes:** M/S/P-U Lonneman/Feikema to approve the both the Regular Board minutes and the Executive Committee minutes of 11-6-14.

**Treasurer's Report:** M/S/P-U Buysse/Weber to approve the Treasurer's report. The CEO presented that the revenues were up over expectations while overall plant maintenance/ supplies/ and electricity are down. Well maintenance is up and there is a maintenance issue at Holland well # 3. Building maintenance is above budget already but its dollar amount is miniscule and there should not be much more spent under this item.

**Pending Bills:** The CEO presented the bills to be paid. M/S/P-U Feikema/Kling to approve the payment of the bills.

The bills to be paid are as follows:

* DeWild, Grant, Rechert and Associates Company: General Services Invoice #157 = $ 5,726.55. And New Water Development pope - #76 = $ 1,106.00.
* Schramel General Legal Services = $ 4,091.44.
* T.E. Underground

 Boring for Jorgenson Service Invoice # 1850 = $ 1,600.00.

 Boring for Jorgenson Service Invoice # 1849 = $ 4,148.00.

 Boring for Larson/Beyer Invoice # 1905 = $ 1,940.00.

 Boring for Duraiappe Service Invoice # 1842 = $ 3,160.00.

 Boring for Cousins Pork Service Invoice # 1838 = $ 7,188.00.

 Boring for Hanson Service Invoice # 1773 = $ 1,400.00.

* Northland Trust Services

 Nobles County GO Revenue Bonds, Series 2012A = $ 150,538.75.

 Pipestone County GO Revenue Bonds Series 2010A = $ 103,377.50.

* Bond Trust Services, Corporation

 Nobles County GO Refunding Bonds, Series 2013A = $ 341,347.50.

* US Bank

 Lincoln County GO Revenue Bonds, Series 2012 = $ 119,400.00.

 Yellow Medicine County GO Revenue Bonds Series 2012 = $ 258,385.01.

**Meet with Jeffery Taylor, DDS as to John B. Taylor Damage Claim:** Mr. Taylor although invited to attend and present his appeal claim for his father did not appear. The facts were discussed. Schramel presented the issues and statute of limitations for both sides and their problems. It is Taylor’s duty to show the causation of the electric line failure is from the work done by the LPRW contractor. If the matter moves further, the electrician should be contacted as to his opinion of the causation and where the repairs were made. Without Mr. Taylor being present the denial should be continued and the CEO write a letter under the advice of Schramel to Mr. Talyor accordingly. If need be the CEO under his authority can still work matters out with Mr. Taylor on a satisfactory basis to both parties.

**Attorney's Report:** Schramel had prepared a report for use with the court as to assessments. Judge Bush had questioned LPRW as to the impact assessments are having on its budget and existing customers last year and had given LPRW one year to make its justification. In part LPRW is going to require cash payment as to the initial capacity unit of all new hookups initiated in 2015. The document outlines the number of hookups prepaying and assessing this year and the income and expenses accordingly. The book value of the assessments is $926,963.50 which should generate about $62,000 annually over the next 38 years. Total cost to serve all the 54 hookups is $558,235.76 with some $49,600 in fixed costs from LPRW’s internal equipment costs and operational labor and after accounting for the prepays of $330,387.25 the shortage is $178,248.51 and is manageable under the budget. It is expected others will pay off before the assessment is made official in January, 2015 making the short fall even less. This document lists by county those to be assessed and the amounts.

**Engineer's Report:** With Schriever absent his report was read and accepted as follows:

* **Dawson and Madison:** that there is nothing to report.
* **Clarkfield:** Clarkfield's Engineers continue with their study.
* **Montevideo:** DGR has talked with Byron Hayunga; the City’s water is about 32 gpg; they have excess treatment capacity but their current well field is fully utilized. A new well field would need to be developed in order to potentially have water to sell.

LPRW has 4” and 6” pipe nearby: preliminary hydraulics indicate that about 175-200 gpm could be input into the system near Montevideo.

* **RRRWS:** RRRWS continues to with their water exploration efforts. Preliminary results have been positive in the area along the Des Moines River south of Dovray and east of Avoca. Surface electrical resistivity imaging was used to select three potential well site on the 120 acre parcel. Test wells and test pumping are the next steps which may happen this winter.
* **Lewis and Clark:** Nothing new to report.
* **New Users Requests:** DGR continues to provide hydraulic analyses for new user requests. DGR has provided the annual assessment letter to Schramel.
* **Holland Permit:** Pam Meyer indicates that PCA is proposing legislative language modifications to allow projects like LPRW’s Holland WTP Biottta process to be eligible for PCA program funding such as the Point Source Implementation Grant. The project would still need to go through the normal process, so we are again working with Meyer to get the project on the Project Priority List (PPL) and to get the scoring sheet completed. Jess Brown and Schriever hope to present the Holland WTP Biottta pilot project at the MRWA annual conference in March.
* **CIP Program:** Nothing to report.
* **RD Funding:** RD continues to review the PER, including the Biottta portion.
* **Chandler Tower:** Nothing new to report.

Discussion began after the reading of this document on several issues. As to Lewis and Clark, Lonneman related that as to Sioux Falls participating in the Iowa capital call via arbitration it is not the slam dunk as once was thought. In South Dakota Minnehaha Water which is constructing a $3.8 million pipe to wheel L&C water wants to be let out of all future capital calls. This was voted down. The Iowa call has a negative political impact on the next Minnesota Bond bill with Federal funds slated to Minnesota being diverted to this project. In 2015 L&C wants to get MN bond funding for easements and design work to Worthington which was going to be done with the incoming Federal money. The political climate in Worthington has changed with there being a new mayor and several new councilmen. And it will take a little time for them to establish themselves politically at the state level.

The CEO related that Nobles County Commissioner Demuth out of Worthington wanted to know if LPRW was considering a smaller pipe than the L&C main and bring it toward Worthington. He had related it has been considered. Then the CEO suggested that if such was done by LPRW that LPRW establish a more firm and long term economic contract with Worthington in doing this main and serving Worthington. Lonneman pointed out that Nobles County is committed to funding the tax bill passed this year to bring the L&C main to Worthington. He would rather see a transmission main be designed from the LPRW L&C connection and carried to Marshall and presented in a bonding bill. Upon discussion it was decided that this main could have subsequent phasing to Granite Falls and Montevideo similar to how L&C presented it pipeline project to the State. The CEO will get with DGR about this design.

Then the discussion moved to the MPCA. The CEO has talked to the MPCA since the last meeting and there is confusion as to how RD grants would be collated with the PSIG grant. The CEO has since talked with RD at a seminar last week and the RD grant is added to the PSIG grant although there will not be 100% grants as LPRW would be expected to be able to pay something. If the PSIG grant is not available there is a 75% grant from RD available to pay for Biottta. The CEO pointed out he learned at this conference that the MPCA has unilaterally changed how priorities are done under another grant funding to qualify and include other lower ranked projects for that funding. This concept differs with what Meyer had stated to the Board that MPCA would not seek with the legislature to change the priority qualifications under PSIG to assure that Biottta would be funded upon application. Still the CEO cannot get an answer from the MPCA whether it is willing to wait from one year to the next where LPRW faithfully applies for PSIG funding of Biottta but does not get ranked high enough to get funding.

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

* **Tom Muller:** Muller reported that he is working on a triple service and that C&K which is now available again for contract work will be doing about 4-5 services starting this week. Altogether there are 10-12 hookups that will be placed on the 2016 assessment rolls. Then he related that Doug Westerman had stated that Iowa has a state policy that during water crises the DNR can cut off out of state waters first. Schramel pulled up a web site and found under Iowa code 455B.266 Iowa Water Priority Law that this is so and even LPRW’s municipal status would not be of aid to raise LPRW’s priority with the state of Iowa for being cut off. The Board members are concerned since there is a big investment in Osceola and the contract is for the next 35 years or so.
* **Shawn Nelson:** Nelson reported his crews have dug in 4 or 5 services in the last month.
* **Jason Overby:** Overby was absent and no report was made in his absence.
* **Jodi Greer:** Greer reported that the current servers including the SCADA server are antiquated and software support is no longer available. Also there are a number of technical problems among computer equipment and programing and new programs coming out that are beyond staff’s capability and she is searching for IT support. What she has looked at with Marcos is expensive and would do the job but she is still evaluating options. Weber asked about the credit card payment progress; Greer stated that the CEO has been looking at the contract and forwarded it to Schramel. Schramel related that the CEO had reviewed the contract and that his suggested changes should be sent to Paymentus for their response.

**CEO's Report:**

* **Investment Guidance from Board:** The CEO reported that with the budget done and it is understood how the bond funds will be paid and that the fully paid assessment account currently has a large amount of cash on hand that needs to be invested and that more investments are coming due that he recommends he invest those funds not needed for bond payments on a staggered basis to be available in the future if needed then and to earn better interest. There is a zero tolerance of risk as to these funds and thus he will invest these accordingly as per the consensus of the board.
* **Noble County Commissioner Question on LPRW/L&C (Info):**  This matter was taken up previously.
* **Discussions with MPCA and other MPCA Information:** This matter was taken up previously.
* **Rock County- tentative meeting set for February 3, 2015 3:00 p.m. in Luverne:** This meeting is set and the CEO will get back with Kyle Oldre about this.

**Committee Reports:**

* **Executive Committee:**  The meeting for the Extra Capacity Charge is set not earlier than January 10, 2015 via email response. The Water Resources Committee should be a part of this meeting. Also upon discussion of legalities surrounding original capacities and use there are many issues as to non-use, intermittent use, and inflated use in relation to available water and what can be done or not done and develop a policy. Schramel is asked to come this meeting to given legal guidance on these matters. Overby, Muller and Nelson should also be at this meeting. From this discussion there is a consensus that there should be more communication with the Counties regarding people adding large animal units so as to assure LPRW that a current customer pays for his capacity fees. The CEO pointed out that he has requested the counties have LPRW sign off on the application as to water availability but many counties have not done this. He can only check the permitting regularly. Also the CEO pointed out that some customers buy less capacities than the animal units they plan because they intend to use a well. LPRW cannot enforce them to buy more until they take more.
* **Personnel Committee:** The next personnel meeting is set for December 9, 10:00 a.m.
* **Water Resources Committee:** Nothing new to report.
* **Budget and Finance Committee:** Nothing new to report.
* **Joint Powers Board Representative:** This matter was taken up previously.

**Other Business:**

* **Lewis and Clark:** This matter was taken up earlier.
* **Norris Peterson:** Peterson did not want to keep the i-pad he uses with the Board so it will be made available to Kraus for his use as he comes on board a the new Commissioner next year replacing Peterson.

**Public Comment:** None

**Adjournment:** M/S/P-U Lonneman/Feikema to adjourn at 12:10 p.m. The next meeting will be held Monday, December 15, 2014 at 10:00 a.m. at the main office in Lake Benton.

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