LINCOLN PIPESTONE RURAL WATER SYSTEM

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**MEETING MINUTES**

**February 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, January 27, 2014, starting at 10:00 a.m. Chairman Frank Engels called the meeting to order with Commissioners Rod Spronk, Joe Weber, Bill Ufkin, Norris Peterson, Ken Buysse, Jerry Lonneman, Mitch Kling, Jan Moen, Earl DeWilde and Brent Feikema present. Also present were Board Attorney, Ron Schramel; DGR Engineer, Darin Schriever; and CEO, Mark Johnson. Field Superintendents, Shawn Nelson and Tom Muller were absent as they were attending to the many freeze ups in the system due to the exceptionally cold winter. By conference call MRWA, Source Water Protection Specialist, Aaron Meyer briefly joined the meeting.

**Agenda:** M/S/P-U Lonneman/Kling to approve the Agenda with these additions under J. Field Superintendent add J 3. Compensation pay and under M. Other Business add the items lawn mowing and newspaper advertisements.

**Minutes:** M/S/P-U Feikema/Weber to approve the Board minutes of November 25, 2013 with the duly noted correction that Engels is the Chairman rather than Spronk.

**Treasurer's Report:** M/S/P-U Peterson/Buysse to approve the Treasurer’s Report as presented. The CEO pointed out that the water sales to Marshall are down. It was pointed out that ADM cannot get the railroad cars it needs to move its products and thus had to cut back. Discussion ensued as to Vesta having prepaid its hookup fee promissory note and whether those funds were restricted and what use it could be put to offset the expected interest loss. Ufkin related that the accounts labeled restricted are not restricted. Lonneman motioned then withdrew his motion to have a separate accounts for future use for debt payments. However, he felt that a less limited method was only necessary and that the CEO could segregate and report on those. Schramel will investigate the matter of what is and is not restricted. Also Ufkin passed out the 2014 debt service sheet that shows revenues available for bond payments including annual assessment principle and interest, other interest, annual capacity monies, and hookups both prepaid and to be assessed. After factoring out the long-term payback assessments, it shows a deficit of about $220,000 anticipated for the year and such will have to be paid from the general water sales revenues. Weber noted there are funds expended under Manager’s Bonus, the CEO will investigate this as there are no Manager’s Bonus anticipated in this year’s budget. The water rates were reviewed and it was clarified that the increases included an increase to the minimum of 5% or $1.00 as was outlined in the then documentation from the CEO and upon which basis the board revised the structure of the water rates to be implemented in mid 2014.

**Pending Bills:** M/S/P-U Moen/DeWilde to approve the following bills for payment:

* DeWild Grant Reckert and Associates Company: General Services #148 = $16,659.32 and includes CAPX billing; New Water Source Development – ppe #67 = $8,633.50
* Schramel: General Legal Services = $5,133.20
* Liesch: Verdi Wellfield Water Supply Assistance = This bill was held in reserve as the CEO is checking as to the type charges against the contract “not-to-exceed” charges provisions.
* Carollo Final Invoice #0133016 = $781.97

**Attorney’s Report:** Nothing to report.

**Engineer’s Report:** Shortly after 10:00 am the floor was given to Darin Schriever, who discussed the following items:.

**New Water Development:**

• **City of Madison:** There is a meeting of Dawson/Madison/LPRW on March 20 to discuss water needs and solutions.

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• **Garvin Area:** Nothing new to report.

• **Verdi:** Final design on the well completion and raw water main is nearly complete. A draft report (January, 2014) from Liesch indicates wells SD1 and SD2 have calculated long term capacities of 500 and 300 gpm, respectively. It was discussed whether to proceed with part of the project so as to get the wells in and pumping for analytical data and any drought relief that might be needed this year. The earliest this project could be completed would be mid-August and would be of limited value at that time in abating draught problems. Also the current Verdi pump house limits what can be delivered to the system. The otherside of this matter is that not waiting costs LPRW loss of a possible $100,000 in grant monies to fund this project. Thus this portion of the project will be done inconjunction with the whole project. Schriever related the the RD process adds about 3 months but that DGR can have the project in a state of “Readiness to Bid” notwithstanding the review process and go to bid when the project is approved.

• **Big Sioux CWS:** Nothing new to report.

• **Preliminary Engineering Report:** The PER is complete and has been submitted to RD. The engineering review by Jim Hammer of RD is underway. The CEO reported that he had reviewed the CIP need for $13,500,000 funding and had shared that his previous analyses with a $13,700,000 CIP budget were viable and thus this lesser funding can be meet with the adopted budget for 2014.

• **Holland WTP:** The Biottta ™ pilot test study report has been submitted to MDH. Phosphorous dosage optimization is nearly complete and will be submitted to MDH and PCA shortly. No word as to funding eligibility under the PSIG program has been forth coming from the PCA at this time. DGR is preparing funding applications anyway. PCA has indicated that LPRW would need to apply for a new NPDES permit to get things started and that PCA has to make a determination within 180 days. It was discussed that the determination could also be negative and leave LPRW without a solution. Also LPRW does not need to obligate to buy a $3,000,000 system before it is approved.

• **Miscellaneous System Improvements:** Nothing new to report.

• **Miscellaneous Work:**.

* General: DGR is continuing to look at new user requests. Cargill has requested water and it will significantly affect the water users south of Pipestone down to Jasper. DGR has propose a solution of a pump station for this area and has would need to have Jasper revise some of its internal system along with LPRW upgrading metering. This gets into a cost range over piping and hookup and capacity fees of over $250,000. DGR will need to visit with Jasper what it needs to do and is willing to do but that Cargill be presented the costs and let Cargill determine how it wants to proceed.
* CapX Pipeline Relocation: Final papers and payments are complete.
* **Lewis and Clark:** Schriever presented various other alternative options of getting Lewis and Clark Water and how to keep LPRW serving Worthington from Lewis and Clark. Also Schriever looked at specifically what it takes to go from Luverne to Worthington.
* **Red Rock Rural Water System and LPRW Potential Joint Project:** The preliminary numbers provided to RRRWS appear to be in the realm of possibility according to RRRWS. There is a meeting with RRRWS on March 5th in St. Cloud.

**Aaron Meyer, MRWA Conference Call:** At 11:00 am the LPRW Board took a conference call from Meyer of the MRWA.

**Wellhead Protection Program Conference Call:** A conference call as to the wellhead protection program will be held on February 27th at 9:00 am. It is good that LPRW will have two hydrologist to participate in the meeting so as to help ask and answer any technical questions and properly discern the extent of what should be done in this program and to help LPRW with MDH. He has assisted in a number of these programs and will be liaison between LPRW and MDH as well as help outline a program plan and timeline and will help from start to finish. He will be available to help with Part II as well; which does not require a licensed professional to complete and can be done in house. Moreover LPRW will need to budget for a consultant under Part I.

**Reinvest in Minnesota Conservation Program:** This is a program funded out of the Legacy fund that pays private entities and farmers to set aside their grounds in permanent native/prairie grass easements. The allocated payment amount is township specific but is getting high enough now to be useful. This program combined with the CRP can make the package to farmers economical. Meyer wants to help LPRW access and make use of these funds to protect the Verdi well site. LPRW could then add its own funds to these and purchase these lands or help facilitate a 1031 land exchange, especially where a farmer wants to exchange poorer lands for better lands, etc. Weber was aware of this program in Lincoln County and is willing to help facilitate these matters for LPRW. Income and Taxation issues for farmers was discussed; including capital gains vs. ordinary income and on-going property assessment value and taxation. Income production from such lands was discussed.

**FSA Conservation Tillage Program:** The FSA is instituting for Pipestone and Rock Counties only in the LPRW service area a best tillage practice program with education for farmers and sign up incentives. The targeted farmers will be those surrounding the various city and utility wellfields so as to protect them from contamination. There has been a successful meeting already in Rock County and one is planned for Pipestone. The introductory meetings will be held with small groups of farmers with the FSA officials only and without any of the utilities officials to encourage open conversation. However, LPRW should furnish the meal. Later the utilities will be involved. Weber announced he would be available to help in this matter too.

Other funding is also available, i.e. the DNR Prairie Bank state and other groups, i.e. Pheasants Forever might be able to assist in both funding and helping in the process to set aside targeted lands. Discussion also revolved around double dipping or whether certain funds are strictly “either/or” or can be used “in addition”.

Following the conference call, the Board was of a consensus to pursue any of these funding mechanisms and grants diligently.

**Field Superintendents’ Report:**

Tom Muller-

Shawn Nelson –

In the absence of the Superintendents, the CEO related that since the outside crew is generating a lot of overtime that the superintendents had expressed to him that their crews would rather accumulate compensation time over the 120 maximum accumulation currently allowed and take this throughout the remainder of the year but not be allowed to carry over more than 40 hours at the end of the year as policy requires. This would save LPRW in other employee related expenses. The CEO recommended this and related he would be able to effectively handle this matter with the employees. M/S/P-U Ufkin/Spronk to approve that the CEO be authorized to run at variance of the Compensation time booked hours throughout the rest of this year and to regulate this use so that no more than 40 hours are carried into next year.

**CEO’s Report:**

* The 2013-14 Operations and Contingency Update Meeting was well attended and the PCA was there. The PCA reported it will be issuing a Notice of Violation as to the Holland discharge. The MN DNR seemed pleased with the way LPRW is managing its wells, particularly at Burr. However, the SDeNR is not satisfied with LPRW’s management of the Burr well fields and cited documentation that they admitted was confusing and contradictory as to their reasoning. SDeNR has turned this documentation over to their water rights board. It was noted that the South Dakota people including Jay Gilbertson of the East Dakota Water Development District related that the actions taken on Burr do not affect the SD Verdi wells as that is unrelated to the Burr situation.
* Vesta has paid over $500,000 in capacity fees. The legalities of the use of these funds has already been discussed.
* The CEO reported that the annual MRWA meeting in St. Cloud would be held March 3rd to the 6th and that to comply with policy that the Board should approve him to pay for meals and conference incidentals above the policy limits. M/S/P-U Buysse/Kling to approve the CEO to reasonably to pay for meals and conference incidentals costs that may exceed policy limits for the attendees.
* The CEO has invited several agencies including RD and MN PFA to join the March 5th meetings in St. Cloud.
* Mark Stiel of MPR, Worthington interviewed the CEO as to draught but the underlying reason apparently dealt with the issue of regionalization of water utilities around the Cities and LPRW is an example of that.
* The CEO presented an insurance resolution as to liability coverage waiver. M/S/P-U Peterson/Feikema to not waive the limits.
* The budget and the viability of the rate increase had already been reviewed.
* As previously stated a meeting with RRRWS is arranged in St Could for March 5th.

**Committee Reports:**

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

• **Personnel Committee:** The Personnel Committee reported it had meet at 8:30 am about the pay and pay tables for the Field Superintendents and had meet with Nelson and Muller as directed from the last Board Meeting. They were of the consensus that Nelson should be paid at the level the CEO proposed under the revised pay table and that Muller would be stepped through phases to his year/step level pending reviews. Schramel was asked if the Board adopted this pay table if such could be done. Schramel reviewed the pay table and advised that unless it stated qualifiers only those pertinent qualifiers could hold the pay level down. For example the pay table qualifies based on years of service and licensing. M/S/P-U Kling/DeWilde to pay Nelson according to his status under the pay scale and Muller at full pay based on the legal qualifiers of the pay scale. However, Muller should be advised of the consequences of not fulfilling the duties of his position by the Personnel Committee but this message comes from the authority of the full Board and not just the Personnel Committee.

• **Budget and Finance Committee:** Nothing to report.

• **Water Resources & Equipment Committee:** Nothing to report.

• **MRWA Director:**  Spronk reported that he had meet with the officials in Washington and was promised their support as to NRWA and also as to Lewis and Clark.

**Other:** The CEO related that he is working with the energy auditor to get the pertinent information he desires to do this audit and that he has assigned that task to Ron Carr, Maintenance Technician. However Carr is currently and heavily involved with the freeze up problems. Also the staff is implementing and learning the M-Files programing which will assist in organizing the voluminous data needed to properly determine capacities which the customers are grandfathered to. Connie Bressler is making a new effort to see if the BDS system can implement a credit card payment system. With all the freeze ups the CEO should extend the public service communications about freeze ups to all the local newspapers, etc. It is thought that it is more economic and better to hire a lawn mowing service(s) to mow the LPRW properties rather than pay employee wages and benefits and also distract the employees from more critical work.

**Public Comment:** None.

**Adjournment:** It was noted the agenda stated the incorrect meeting date and that the next meeting scheduled is at 10:00 am Monday, March 31, 204. M/S/P-U Lonneman/Feikema to adjourn the meeting at 3:45 p.m. The next Regular Board meeting will be Monday, March 31, 2014 at 10:00 a.m.

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