LINCOLN PIPESTONE RURAL WATER SYSTEM

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**MEETING MINUTES**

**July 28, 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, July 28, 2014, starting at 6:00 p.m. Chairman Frank Engels called the meeting to order with Commissioners Rod Spronk, Joe Weber, Norris Peterson, Jerry Lonneman, Mitch Kling, Jan Moen, Brent Feikema, Ken Buysse and Earl DeWilde were present with Bill Ufkin being absent. Also present were Board Attorney, Ron Schramel, CEO, Mark Johnson, and Field Superintendent, Tom Muller, and Operations Manager, Jason Overby. Randy Kraus of Lincoln Soil and Water District also joined the meeting. Brian Jorgen and Luke Berg, owners of a hog operations wanting water joined the meeting at 6:30 pm. Darin Schriever, Engineer and Shawn Nelson, Filed Superintendent were absent.

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

**Minutes:** M/S/P-U Weber/Kling to approve the Board minutes of June 30, 2014. A typographical error was made as to the amount to be paid Leggette, Brashears and Graham, Inc. which will be corrected before posting the minutes.

**Treasurer's Report:** The CEO presented the Balance sheet, Revenue Statistics and the Cash and Investments reports. He then updated his expectations of revenues and expenses with his analysis of profit and loss against the annual budget. The Y-T-D gallons sold on the statistics sheet seem high for this year against last year and the CEO will investigate and report back his findings. M/S/P-U Lonneman/Feikema to accept the Treasurer’s report.

Then the CEO explained to the whole Board that Ufkin, Budget Committee Chairman, had asked him to see if Burr can be operated using less Brookings-Duel Water and more LPRW Burr water for both costs savings and to maintain and manage the Burr permits to near the maximum permitted so that the DNR does not see opportunity to lower the permit because of non-use. This will and can be done. As to Holland, Ufkin had asked if the RO system production could be scaled back so as to save high electric costs. The CEO had checked but found that when operating without RO more water has to go through the green sand filters and that would require more backwashes and someone to be on shift at the plant all weekend and thus there would be no savings. Also chemical costs would increase.

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

* DeWild Grant Reckert and Associates Company: General Services # 153 = $ 10,982.68.

New Water Source Development – ppe #72 = $ 3,623.00.

* Schramel: General Legal Services = $ 3,382.88.
* Leggette, Brashears & Graham, Inc. Invoice # 201405251 = $ 776.73.
* Therma-Stor, Invoice # 2697847RI = $ 6,380.87
* Northland Trust Services Nobles County Revenue Refunding Bonds Series 2013 = $ 67,287.87.
* Lincoln Soil and Water Conservation District Invoice # 3661 =$ 3,853.3
* Midwest Boring, LLC Invoice # 16059 = $ 14,340.00.
* Double D Gravel, LLC Invoice # = $ 1,453.50
* Jeffers Dray Line, LLC Invoice # 10664 = $ 1,200.00; Invoice # 10660 = $ 1,840.00; Invoice # 10654 = $ 4,420.00; and Invoice # 10659 = $ 3,460.00.
* H D Supply Invoice # C516070 = $ 3,297.66
* C&K Construction Invoice # Dezeeuw = $ 24,149.00; Bovandee = $12,532/00; Ouellette = $ 8,922.00; Dennis Jacobs = $7,405.00; Justin Jacobs = $ 5,768.00; Lonneman = $ 9,967.00; and Edmuson = $ 10,248.00.

**Appeal as to Hookup fees and Charges:** Then the matter of the cost of a 6000 hog nursery hookup and looping was taken up. Jorgen and Berg offered that the looping part of the hookup was excessive and should be borne by LPRW as part of serving new customers. It was pointed out that they had gotten quotes in the past and it has gone from $37,000 to $53,000 for 8000 hogs and now $69,000 for 6000 hogs. They desired an explanation. It was determined the first quote was given when LPRW was in expansion and thus only the standard hookup and capacity charges applied. The second was given last year when LPRW was not having its Engineers run a hydraulic model on the effect of the new facility and demands on the system and existing customers. The CEO stated he has since last year implemented this policy to protect the integrity of the system. Looping in this situation is required to keep existing customers at peak time from falling from above the state mandated minimum at all times of 20 psi to below this level. Further Lonneman stated the policy of LPRW is that no harm be done to existing customers and that any new customer would have to go back to a source with adequate flow and pressure and carry a sufficient pipe to its operations. This could get very expensive. Looping mitigates this expense. Discussion ensued as to the economic benefit of selling more water vs. how long it would take to recoup any LPRW investment. The risk would be on the rate payers that the operation would buy sufficient water long enough to pay back the investment. The Board was of the consensus that nothing could be done.

**Meet with Randy Kraus:** Then Engels introduced Randy Kraus as a candidate to the Board to replace the position Norris Peterson is giving up at the end of the year. It was noted that Kraus lives in St. Leo and works for the Lincoln Soil and Water District has been involved closely with the LPRW conservation efforts, helped the CEO in writing a grant proposal, and also rents land from LPRW at the Verdi well fields. It was asked if Kraus’s rental agreement would adversely affect him as being a candidate. And Schramel replied that it wouldn’t but as long as he recused himself from voting on any matter related to the rental. Schramel told Kraus that his candidacy letter was sufficient as a resume for presenting his credentials to the various County Boards and Judge Bush of Lyon County. Then Engels explained the responsibilities of the Board position and the frequency of meetings and other activities. Schramel outlined the appointment process and that LPRW was formed under Minnesota Statute 116A. Kraus replied that he could fulfill this requirement. M/S/P- U Weber/DeWilde to recommend Randy Kraus for appointment to the position of Commissioner to the LPRW Board.

Concluding this matter, Kraus then brought up the matter of how his efforts as an official of the Lincoln Soil and Water District are progressing so as to help LPRW protect its wellhead areas. He has made contact with certain land owners within the Verdi wellhead Drinking Water Source Management Area and has begun talks with them about RIM, CRP and 1031 tax free exchanges. He has been involved with several of LPRW’s committee meetings and is requested to join with the Water Resources Committees next conservation meeting to be held August 25, 2014 at 3:00 pm. He already has planned to come. This subject brought up from Overby that LPRW needs to explore further what it can do with Pheasants Forever in acquiring land outright. Also Overby stated that LPRW should look to participation by customers that have a lot to gain in helping protect LPRW source waters, i.e. New Horizons, Pipestone Systems. Weber questioned what does the Board want to do? The Board was of the consensus to move forward with this and pursue it.

Then the CEO reported that he had had Jay Stuefen locate and sample wells both West and East of the Holland Treatment Plant in search of a possible low Nitrate well. Initial results show that both the irrigation well and house well just west and across Highway 75 produced very low nitrate results. This makes sense since these lie directly downstream of the conservation lands of the Holland wellfield. The CEO is now having further tests done to prove out these results. The irrigation well is 55 feet deep and is permitted to 1400 gpm but irrigates only at 1000 gpm. It operated during the 2012 drought year against the Holland wellfield and thus shows resiliency in production. However, it might be difficult to buy from the owner as it is a mainstay to his operations. Buysse asked if irrigating with water with high nitrates is beneficial to crops? The answer is yes. Then Buysse suggested that LPRW do a water swap with the irrigator and give him water with high nitrates and LPRW get water with low nitrate levels. This will be explored by the CEO.

**Attorney’s Report:** Schramel stated that the CEO had asked him to explain the requirements as to use of monies placed in the restricted accounts as there were various opinions of what these funds could pay for. These monies must be used to pay bond derived debt service which includes the South Dakota land as it is not just a note but is a bond obligation as set up by Mary Frances Skala, Bond Attorney. These funds may not be used for buying equipment or vehicles or pipe inventory, etc. as they are not bond related. Any monies received that are not a result of assessments are free to be used for any pay but assessment monies are restricted and must be applied to bond related debt service only.

**Engineer’s Report:** Schriever not being present had prepared and sent in a written report which the CEO directed the Board to. Time was given for reading the report which is as follows:

**New Water Development:**

• **Cities of Madison/Dawson:** Nothing to report.

• **City of Clarkfield:** Nothing new to report.

• **Red Rock Rural WS Joint Potential Project:** Nothing new to report.

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

• **New User Requests:** DGR is continuing to provide hydraulic analysis for new user requests.

• **Holland permit:** PCA has completed the effluent limits review; compared to the old permit, no major changes are expected. Some semi-annual monitoring will be added (mainly nitrogen parameters). PCA is working on the permit language and schedule; they are currently thinking that they will not include a fixed date for end of construction; it is possible the permit limits may last until the end of the permit cycle in 5 years. PCA intends to provide a draft permit for our review before putting it out for public notice.

* **Lewis and Clark:** Nothing new to report.

• **CIP/ Preliminary Engineering Report/ER:** PER Table 17 (the overall project and provided in this document) has been summarized along with potential reduce capital improvement alternatives.

* **RD Funding:** Megan Gernentz wants LPRW to prioritize its projects and RD will review the top ones.
* **Archaeological Study:** Stemper has completed the Phase 1 Study and the report has been sent to RD.
* **Regional Water Development Report:** The CEO will meet with Kyle Oldre, Rock County Administrator later this week.
* **Lewis and Clark Report:** Lonneman related that he had voted on the contract between L&C and the JPB as he had been instructed by the Executive Committee. And when asked he explained why only in a positive manner so as to maintain good relations with the other board members. The vote was 15-1 with Scott Hain of Worthington absent. When L&C Board went into executive session he explained the reason for his vote was that LPRW desired to see L&C repay the JPB rather than the State of Minnesota as the monies L&C receives will be coming from the JPB. Then this money could go to repay the LPRW $10 Million investment into Osceola to bring water to LPRW since it did not have L&C water available timely. He had also outlined the timeline of events from Friday when the BoR had held L&C could not repay the JPB to the next Monday when it decided Federal monies could be used by L&C to repay the JPB. And this was why he had voted as a JPB member on Friday for the contract with language to repay the State of Minnesota on Friday and then on the next Monday was seeking to change the language so that the JPB would be repaid. He emphasized to L&C and each of the other members that LPRW and he were not trying to hold up any project. Both Schramel and the CEO related how relations had declined between the JPB members over this simple issue of trying to change the language of the contract; how it was perceived by the other JPB members that making this change could hold up the project for years and how L&C communications as to the course of events were not timely and were incomplete and led to this misunderstanding. Lonneman continued and related that the L&C and Sioux Falls issue is at a stalemate and they are waiting to start arbitration in December. He related that from the meeting with Governor Dayton that it is well conceded by all, even Worthington, that the tax bill is unworkable in its form and that it is best to see if more bond money is coming forth as in the meantime there is plenty of work to be done in getting the pipeline to Magnolia over the next two years. Governor Dayton stated that if he is re-elected that he would push for and support more bonding. The CEO stated that at this meeting with the Governor he had given to the Governor’s staff and the three legislators attending a letter asking them to support having the L&C repayment given over to the JPB rather than to the general coffers of the state.

• **Miscellaneous System Improvements:** Nothing reported.

* **General/ Tank Maintenance:** A near term summary of tank work has been provided (which he attached to this report) including budget cost estimates. It also provides annual budget costs for anticipated tank work well into the future. Further a proposal for engineering services is attached which provides design, bidding, construction, administration and observation services for maintenance work on five of the six orginial concrete reservoirs (Verdi is not included). Schreiver in his report recommended Board Action to accept the proposal and authorize DGR to proceed with design and bidding to potentially allow some of the work to be completed this fall.

Upon the reading of the report the CEO commented upon the report stating that he has concerns as to how much engineering needs to be done on tank repairs. He related that a good contractor should be able to repair these tanks and that he has placed Shawn Nelson in getting bids on this work. Then he pointed out that there is a large maintenance item for next year, the painting of Chandler tank on the outside. The cost is on the order of $350,000. He will be exploring finding bidders for this work. It was then questioned whether LPRW had contracted with DGR to do the engineering work outlined and Schramel felt that is not the case and LPRW is within its rights to do this work otherwise.

**Field Superintendents’ Reports/ Program Administrator Technician’s Report:**

**Tom Muller** – Muller related that C&K has completed 4 longer hookups, there two in the works, with 2 pending signup. Worthington is getting 700 gpm – 450 gpm in the west and 250 in the east. Currently there are no adverse effect from running water this way. He will be presenting truck bids next month.

**Shawn Nelson** – Was absent.

**Jason Overby** – Overby had presented his matters in previous discussions.

**CEO’s Report:**

**Lewis and Clark Payback MN Ag**

* **Water Commission Committtee:** Senator Weber had announced at the meeting with the Governor that a new water commission board is being formed and that Senator Dahms is appointed to serve on this board. The CEO thinks it would be good to meet with Senator Dahms about LPRW water issues and what this committee do to help resolve them. It was decided that the Executive Committee and Lonneman since he is the representative to both L&C and the JPB meet with Senator Dahms at his office where water issues are the focus rather than try to get him to a board meeting where so many other topics are being discussed and causing him to have to travel and leave his other work.
* **BAB Funds and Walk-In Program Funds:** These mentioned funds have been receive in full.
* **Technical Position:** The CEO stated that currently LPRW operates with two maintenance technicians, Ron Carr and Steve Lovre, one in the south and one in the north. Lovre was trained under Carr for two years. Lovre was hired before the system greatly expanded in the northeast phase and the Jackson-Nobles phase. Carr is near retirement and there should be another person brought on to learn the technicalities of operating and maintaining the SCADA in this vast system. It is too much for one person. Discussion then revolved around when Carr is going to retire. Carr has not given notice but has strongly hinted at it. The CEO is to talk with Carr and see what his plans are and get a timeline of when he plans to retire. Lonneman stated he would like to see someone within LPRW be trained for this position.

**Committee Reports:** The minutes of all the committees were taken up together: the Executive Committee for the dates of July 21st and July 24th; the Personnel Committee for July 21st; the Water Resources and Equipment Committee for July 17th and July 21st; and the Budget and Finance Committee for July 21st. M/S/P-U Lonneman/Weber to approve all.

• **Executive Committee:**

• **Personnel Committee:** The next meeting is set for August 21st at 7:00 pm.

• **Water Resources & Equipment Committee:** The next meetings are set for August 18th at 5:00 pm as to CIP priorities and Budget; and August 25th at 3:00 pm as to conservation matters. Schreiver should be contacted about attending and assisting with the August 18th meeting.

• **Budget and Finance Committee:** The next meeting is set for August 18th at 6:00 pm.

• **Joint Powers Board:**  Nothing further to report.

• **MRWA Director:**  Nothing to report.

**Other:** Moen then presented that the Personnel Committee has a request from Steve Lovre about paying for education that is required of him in his position and to achieve full pay status under his pay scale table. The policy requires the employee to pay and then when receiving and giving proof of grades and/or satisfactory performance, the employee is repaid according to the policies scale for those grades, etc. Lovre states that LPRW should pay this as it is LPRW’s requirement of him and that he has otherwise excellent training for when he was hired. He does not feel it is fair that he should take the risk to pay for this education. There was discussion that somewhere employees should also invest in themselves and not depend on the employer to pay for their continuing education. Then it was pointed out that Jodi Greer had been approved for education that the former CEO had requested that she complete for her position and that she had paid the cost upfront via student loans and upon satisfactory performance was repaid by LPRW in full. Overby then spoke and related that he felt LPRW should pay for this education up front since LPRW has placed this requirement on Lovre. For LPRW to pay upfront costs would be an exception to the policy. Then the costs were reviewed and it was discussed that it would be better to pay per semester and get a report before proceeding with paying the next semester. There is risk to LPRW in paying upfront the education expenses that the employee would not finish the coursework or perform unsatisfactorily or leave LPRW upon acquiring a certificate for the coursework at LPRW’s expense. M/S/P Moen/Kling with Weber against to make an exception to the policy and approve prepaying the tuition (if possible on a semester basis), books, supplies and tools as required for the coursework in advance and check for satisfactory performance at least each semester. Weber expressed that he was against this and doesn’t want to make an exception to policy as there are financing options available.

**Public Comment:** None.

**Adjournment:** M/S/P-U Kling/Lonneman to adjourn at 9:50 pm. The next regularly scheduled meeting is set for Monday, August 25, 2014 at 6:00 pm.

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