LINCOLN PIPESTONE RURAL WATER SYSTEM

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**MEETING MINUTES**

**September 29, 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, September 29, 2014, starting at 6:00 p.m. Chairman Frank Engels called the meeting to order with Commissioners Rod Spronk, Joe Weber, Norris Peterson, Earl DeWilde, Mitch Kling, Jan Moen, Brent Feikema, and Ken Buysse were present with Jerry Lonneman and Bill Ufkin being absent. Also present were Board Attorney, Ron Schramel, DGR Engineer, Darin Schriever, CEO, Mark Johnson, and Field Superintendents, Tom Muller and Shawn Nelson, and Operations Manager, Jason Overby. Larry Pires, developer, and Lennis Kennedy, home owner, of Affinity Hills, were in attendance.

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

**Minutes:** M/S/P-U Weber/Buysse to approve the Board minutes of August 25, 2014 and the minutes of the Joint Meeting of the Budget and Finance Committee and Water Resource and Equipment Committee on September 22, 2014.

**Treasurer's Report:** The CEO presented the Balance sheet, Revenue Statistics and the Cash and Investments reports. He reported that sales are improved due to summer usage and the rate increase but purchase costs are up. Also he pointed out that chemical and production electrical costs are down although water sales are up. Worthington sales are approaching $80,000 per month. There has been an increase in the fully asset account at Dain Rauscher during the year of about $1,000,000 due to mainly the Vesta payoff earlier this year. M/S/P-U Feikema/Buysse to approve the Treasurer’s report as presented.

**Pending Bills:** The CEO stated that there are two bills not listed on the agenda needing to be paid but that he had reviewed and approved them for recommendation to be paid. Also he has included the bills for Crop Damages for putting in services. These bills are not recoverable as there was an oversight in including these into the cost estimates for service but going forward these costs will be incorporated into estimates. The CEO thanked Overby, Muller and Nelson for working to quantify and track all costs associated with putting in new services. M/S/P-U Kling/Moen to approve the following bills for payment:

* DeWild Grant Reckert and Associates Company: General Services # 155 = $ 2,975.62.

New Water Source Development – ppe #74 = $ 904.19.

* Schramel: General Legal Services = $ 3,402.88.
* Leggette, Brashears, & Graham, Inc. Invoice # 201408174 = $2,738.70 and Invoice # 201409244 = $2,538.53.
* C&K Construction: Falconer Loop = $13,207.00; Falconer Service = $125,760.00; Jurgenson Service = $3,882.00; and Jorgens Service = $ 21,495.00
* Crop Damage: Boerboom Service- Allex = $2,516.52; Cousins Pork Service- Abraham = $ 1,788.22; Cousins Pork Service- Fenske = $ 1,602.27; Cousins Pork Service- Simonson = $ 984.29; and Cousins Pork Service- Weigers = $ 984.29.
* League of Minnesota Cities Trust- Insurance Invoice # 47902 = $37,716.50
* Ervin Well Service: Holland Well # 6 Invoice # 199 = $ 22,811.97

**Meet with Larry Pires and Lennis Kennedy about assessing two hookups in Affinity Hills:** Pires and Kennedy joined the meeting at 6:20pm and their matters was moved ahead on the agenda. They were appealing the requirement that hookups in Affinity hills could not be assessed according to the 2002 contract with the land owner, the City of Lynd and LPRW and are seeking an exception for two properties: one for Mr. Kennedy and the other for Mr. Sami Salid El-Dein. Such an exception would aid the owners to finance the building of their homes. The CEO noted that there have been other properties assessed in the past due to mistakes. The history of the development discussed in that LPRW paid for this project with cash and is trying to recoup its investment before the 2027 contractually required transfer of certain assets to the City of Lynd. The recoupment of monies lags behind what was anticipated in part by the economic turndown and possible because LPRW is not assessing these hookups. Pires agreed that higher hookup cash payments do affect sales of these properties. The Various Board members thought that assessing would better help led to recoup the costs of this project. The CEO pointed out that there is the matter on this agenda from the Water Resources Committee to recommend to the whole Board to consider requiring a $6,000 cash initial capacity fee of all new hookups before any assessment would be applied to a property. And this is at least partially counter intuitive to this appeal. M/S/P- U DeWilde/Moen to approve this exception to allow the Kennedy and El-Dein hookups to be assessed rather than having to pay cash for them as to these two properties only and any other Affinity Hills properties in the future would have to be taken up on a case by case basis.

**Attorney’s Report:** Schramel related that all ten counties have approved the submittal of Randy Kraus’s name to Judge Bush as the nominee to fill the Peterson vacancy beginning next year. He will need to get the assessment data earlier as Judge Bush does not want to wait until the end of the year to take up this matter.

**Engineer’s Report:** Schriever, thereupon presented his report as follows:

**New Water Development:**

• **Cities of Madison/Dawson/Clarkfield:** Clarkfield wants to meet about getting water from LPRW but there is not much water available in this area. Schriever discussed getting Dawson water on an as needed basis to serve Clarkfield but since Dawson water is higher in hardness that would affect other LPRW customers served through the changed over lines but only marginally. Sulfates are about the same as LPRW. The meeting set for Friday, October 3 at 10:00 am at the Lake Benton offices is only tentatively scheduled as Schriever needs further numbers from Bollig Engineers who represent the city. It is good to meet and keep the lines of communication open and see what can be done.

• **Red Rock Rural WS Joint Potential Project:** Red Rock has found good water near the City of Avoca and should be able to serve its own needs for the Lake Sarah, etc. area.

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

• **New User Requests:** DGR is continuing to provide Hydraulic analysis for new user requests which are fewer in number than normal.

• **Holland permit:** DGR provided review comments to the MPCA for the draft permit. The CEO provided a letter as well and then from his conversation with Gene Soderbeck of the MPCA he provided an email summary of that conversation. Also he reported he had talked with Soderbeck this afternoon. No written response from the MPCA received as yet. Soderbeck states the PSIG committee comprised of MPCA, MDH and PFA members are favorable to funding BIOTTTA but still a legislative change which they favor and would support is needed to place LPRW on the list and then there still would be a ranking of funding priorities for LPRW to overcome. The Board expressed its concern that it has not gotten an official letter of approval for the BIOTTTA process from the MPCA and are reluctant to move forward with this expensive project until then. Even if LPRW should get a PSIG grant there are grant collation problems with other RD grants so that any economic benefit is potentially lost. Thus the Board would like to see the MPCA fully fund this project.

* **Lewis and Clark:** Nothing new to report. The CEO pointed out that the Iowa members are seeking Iowa state funding but that it would require participation from the other members for part of the construction costs to possible secure this funding. $1,000,000 is the maximum set amount for this and a capital call vote is scheduled for October 23rd. The CEO pointed out various reasons that LPRW should vote yes on this call even when Iowa members had not supported the Minnesota capital call last year. The Board was of the consensus to relay this message to Lonneman to vote yes.

• **CIP/ Preliminary Engineering Report/ER:** DGR has been working with the CEO and the various committees to establish a priority plan and budget.

* **RD Funding:** Megan Gernentz wants LPRW to prioritize its projects and RD will review the top ones.
* **Miscellaneous System Improvements:** Nothing reported.

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

**Tom Muller** – Muller stated that he has 6 more services to put in and that 3 more people have called in wanting hookups. Worthington is running good. The meter verification program is getting started. LPRW is changing over to Sensus meters as it has no moving parts and is adaptable for radio reads in the future.

**Shawn Nelson** – Nelson related that he has two hookups that DGR has stated should not be served. The CEO stated from what he saw he feels LPRW can serve these properties and wants to explore other looping scenarios that can be done immediately to help keep the integrity of the system until planned system improvements are made. Schriever is agreeable to further explore this matter.

**Jason Overby** – Overby has along with the Water Resources members and chair with Mr. Hess as to his property and an appraisal is being put together on the value of the Hess property. Also he and Randy Kraus have met with the Pritchetts as to their property. The Pritchetts want to exchange 128 acres at Verdi for 160 acres in Pipestone County, not pay taxes on the RIM payments. They have met with the CEO and they are now willing to exchange for 120 acres in Pipestone County. They also want $16,000 for the verbal easement they say LPRW agreed to. A good portion of their land is in CRP which already aids protecting the Verdi well field but it comes out in 5-8 years. The CEO has offered to the Pritchetts that LPRW can only give value for value and that that is best determined by appraisals. They are agreeable to allowing Mr. Jerry Remund whom they know do the appraisals on both their parcels. Weber pointed out that it would be good to have appraisals on all the properties and he feels that Mike Cooper, Agent, for the 160 acres would be agreeable to this too. M/S/P-U Buysse/Kling to approve getting appraisals for the Pritchett parcels and the 160 acres involved in these service acres exchanges.

**CEO’s Report:**

* **Sign Bank Papers as to Collateralization of Funds:** The CEO presented renewal papers needed by the Bank as to authorizing and authorized signatures thereto for Collateralizing LPRW funds held at First Security Bank. M/S/P-U Kling/Feikema to approve signing these Collateralization of funds bank document.
* **Clarkfield Meeting:** This matter was previously discussed.

**Committee Reports:**

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

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

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

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

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

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

**Other:**

•  **Operations and CIP Budget:** The Operations and CIP Budget was presented. Engels pointed out that this budget’s format is fundamentally different than the previous ones. Spronk pointed out that this is a cash flow budget which shows the yearly revenues, expenses both operationally and capital wise over an operations budget and assets and balance sheet format. This budget projects an idea of the cash flow over the next several years and then shows the ability to bond and then the sustainability of meeting that bonding level year to year. Overby had an electronic version up and running and several of the Board Members had different scenarios of water rates and expenses analyzed compared to the presented budget. Spronk encouraged the members to take their paper copy home and study and get familiar with it before considering adopting it next month. This budget is encouraging as it shows that without endless water rate increases LPRW can reasonably reach its financial and Service objects each year. The consensus of the Board was to defer this matter until next month.

• **Personnel Budget:** Moen presented that the Personnel Committee recommends to the Board that the employees’ salaries be raised in accordance to the pay table step levels already in place as adopted last year. Accordingly the proposed salaries are in line with other employers and utilities. M/S/P-U Feikema/Moen to adopt these salaries increases in accordance to the 2013 pay tables for each classification and in accordance to each employee’s position and qualifications.

• **Priority List and Priority Funding for 2015:** The Priority list was reviewed and discussed as to the various components. As LPRW is trying to resolve the MPCA problems at Holland with the RO discharge, despite no formal approval of BIOTTTA, the Board was of the opinion to include it in the Priorities but advise Rural Development that MPCA has not formally approved it. Then as to whether to move forward with only Priority 1 alone or combine Priorities 1 and 2, Schriever related that there are savings in combining the project as to Engineering Construction Management, being able to allow more time to design a non-proprietary SCADA system, efficiencies of scale as to material quantities, etc. There would be some offsetting higher interest costs due to paying out more interim finance dollars before achieving grant level funding for the combined two projects over just one project. But overall combining them is better. M/S/P-U Weber/Kling to submit all six priorities to Rural Development and advise Gernentz about LPRW needing MPCA’s formal approval for BIOTTTA but that LPRW is interested currently in Priorities 1-5 and for 2015 LPRW desires to fund the combined projects listed under Priorities 1 and 2 of about $6 Million dollars. The CEO will need to get on the list with the MRWA for interim financing.

• **Initial Capacity Fee:** This matter of a $6,000 Initial Capacity fee is deferred until the next month since the Operations and CIP Budget anticipates a $150,000 in fees for 25 Capacities.

• **Water Rate Increase:** As any water rate increase is tied to the adoption and approval of the Operations and CIP Budget, this matter was deferred until next month. However, Engels along with the Board instructed the CEO to write the cities that there is a strong likelihood that a 5% water rate increase will be adopted for 2015.

• **Board Member leave of absence:** Ufkin had written the Board about taking a leave of absence while he attended to family matters. As he did not want to impede the Board in its business he offered in the alternative to resign. The Board values his service very much and desires his return at such time when he is able.

**Public Comment:** None.

**Adjournment:** M/S/P-U Kling/Weber to adjourn at 9:55 pm. The next regularly scheduled meeting is set for Monday, October 27, 2014 at 7:00 pm.

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