LINCOLN PIPESTONE RURAL WATER SYSTEM

East Highway 14, P.O. Box 188, Lake Benton, MN 56149

 (507) 368-4248 or (800) 462-0309 fax (507) 368-4573 email: lprw@itctel.com

**MEETING MINUTES**

**March 31, 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, March 31, 2014, starting at 10:00 a.m. Chairman Frank Engels called the meeting to order with Commissioners Rod Spronk, Joe Weber, Norris Peterson, Ken Buysse, Jerry Lonneman, Mitch Kling, Jan Moen, and Brent Feikema present. Earl DeWilde and Bill Ufkin were absent. Also present were Board Attorney, Ron Schramel; DGR Engineer, Darin Schriever and Farm Service Agent Nicole Schwebach; CEO, Mark Johnson, and Field Superintendents, Shawn Nelson and Tom Muller.

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

**Minutes:** M/S/P-U Feikema/Lonneman to approve the Board minutes of February 24, 2014, with a change noted to the third paragraph of the January 27, 2014 minutes that it should read December 16, 2013 not November 25, 2013.

**Special Minutes:** M/S/P-U Kling/Buysse to approve the Special Board minutes of March 28, 2014.

**Treasurer's Report:** M/S/P-U Lonneman/Moen to approve the Treasurer’s report. Discussion showed that retail sales lag budgeted due to winter use and the budget includes a water rate increase. Wholesale sales are helped by Worthington sales though Marshall sales are down. Marshall sales should increase next month due to their plans to take more water. The CEO presented several expense items and explained them. After accounting for the CapX expense should be under other income and expenses, the operational net profit is in line for the year. In further discussion, the restricted funds have been looked at for being available to pay current capital expenses and Attorney Skala has rendered her guidance as to these funds. Also it was noted that there is a discrepancy between the budget amount for assessment revenues used to pay bonds and the actual amount. The CEO is to get the actual numbers from each of the County auditors and report it to the Board and Budget Committee.

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

* DeWild Grant Reckert and Associates Company: General Services #149 = $10,895.60 and includes CAPX billing; New Water Source Development – ppe #68 = $15,741.50
* Schramel: General Legal Services = $3,784.80
* Healy Consulting: General Services = $521.97
* Carstensen: Pipe Materials Invoice #6020 = $11,811.50
* Boulton Trailer Sales: Trailer Invoice #567088 = $5,295.55
* Dakota Supply Group: Pipe Materials Invoice # 8245902 = $15,142.05
* PSI: Pressure Washer and Accessories Invoice # 25444 = $11,304.48
* 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.

**Attorney’s Report:** The terms of Buyssee, DeWilde, and Petersen will end this year and they should let him know if they wish to continue as Commissioners. Also the CEO will need to review the hookups in each township so to reapportion the Comissioner districting.

**Pipestone County FSA Report:** At 11:00 am Nicole Schwebach, Agent, presented that she is working with landowners who own land within vulnerable areas of the drinking water supply management area of the Holland wellfields. She has one owner who is interested in doing Reinvest In Minnesota (RIM) filter strip easement but he wants to know if LPRW is willing to give incentives to him to do this. He wants an answer this month. Schwebach presented two proposals of what RIM would pay this owner. Another adjacent property is being sold and the potential buyer wants to place some acres in RIM. Then she pointed out that the RIM program could expire in the next two years. RIM also does not have a requirement that prevents tiling. It was agreed that LPRW needs to take advantage of opportunities when the owner has a willingness to participate in protecting wellfields. However, any incentive would be conditioned that there be no future tiling. Schwebach left. At this point M/S/P-U Lonneman/Feikema to close the meeting to discuss an offer. Then immediately upon the basis that there would be no real need to discuss this matter in a closed meeting upon M/S/P-U Lonneman/Feikema to reopen the meeting, the meeting was reopened. M/S/P-U Lonneman/Spronk to approve an offer not to exceed $50,000.00 for 16.8 acres of donated acres with the condition that there be no new tiling, tiling discharge on these acres or upsizing any existing tiling. Weber and the CEO will contact Schwebach to work with her on this basis with the landowner.

**Engineer’s Report:** Darin Schriever, who discussed the following items:.

**New Water Development:**

• **City of Madison/Dawson:** The meeting of Dawson/Madison/LPRW was held on March 20 to discuss water needs and solutions. Schriever learned the current and projected volumes each requires to fill their needs and then presented a cost scenario for a treatment plant and transmission mains accordingly.

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

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

• **Verdi:** Final design is well underway. Waiting for funding information.

• **Holland WTP:** Biottta pilot test: Pilot study report has been submitted and awaiting MDH approval. Manganese removal testing is underway. No word has been received from the PCA as to PSIG funding. As to permitting, a Notice of Violation has been received from PCA. DGR has provided a response letter and facilities plan based on the PER to PCA. The Biottta system will not remove water hardness or chlorides which would affect 11 small towns but the impact will be not large as the levels will be about the same as in the Verdi and Burr areas; hardness being 16-18 grains now and will be about 23-25 grains after the Reverse Osmosis system is removed. Most customers already have water softeners and will only need to slightly increase their softener regeneration frequency.

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

• **Preliminary Engineering Report:** The ER is underway. RD is reviewing the PER and will be requesting more information on a few items which DGR is now preparing including short life assets.

• **Miscellaneous Work:**.

* **Lewis and Clark:** Nothing new to report. Lonneman related that the lack of Federal Funding is affecting the moral of the Director and members. L&C and Sioux Falls agreed to waive the costly procedure of seeking arbitrators so as to save dollars.
* CapX Pipeline Relocation: Final papers and payments are complete.
* **Red Rock Rural Water System and LPRW Potential Joint Project:** As per the St. Cloud meeting, RRRWS will be probing for wells to develop its own water source.
* General: DGR is continuing to look at new user requests. Cargill has requested water which will significantly affect the water users south of Pipestone down to Jasper. DGR has proposed a solution of a pump station for this area. Also Schriever suggested that the allocation to Jasper be currently cut since it does not use its full allotment as it is not likely that water demands would be needed in the future without LPRW being able to re-enforce the infrastructure to restore the allotment. Discussion evolved about cutting allotments back that are not used and if it is a use-it-or-lose-it agreement. The contract was reviewed by Schramel and he said LPRW is contractually obligated to provide this allotment. Still Schramel will revisit the matter of whether capacities can be taken away from other customers for non use of the capacity. Then there was discussion on who pays the cost of these need improvements. Schriever then presented other users and their impact upon the system.

 Weber brought up that one user has been noted in a paper to be carrying water across a road or will truck it from another hookup on another’s land. He reiterated that LPRW policy is that water cannot be carried by the customer from one side of the road to the other and that customers cannot resale water from their hookup. In the past LPRW has made a customer dig up a water line the customer put in across a road. Since the CEO was not certain about the policy as to reselling water M/S/P-U Kling/Petersen to not allow customers to resale water or use a hookup on a second parcel and to do such violates the provisions of the user’s agreement and can be enforced accordingly. Nelson will check on the situation to see if the hookup has been moved. Also the CEO needs to contact each county commission and zoning board that it would be good to supply and get information from LPRW as to water availability, etc. Rock County is already doing this. The CEO pointed out that Nobles County is including LPRW in its monthly collaborative-efforts meetings for all the government agencies within its county.

 Then the Board took up again the matter of who should pay for improvements needed because of the impact of a new hookup. Muller asked what do capacity charges pay for? Spronk stated that the capacity charges pay for the all the segment of the in place lines, pumping, storage, water plants and wells needed to supply the usage requested. Weber then pointed out that LPRW had made good efforts to get sign ups when it expanded into each of its areas, even Cargill, and now those who did not hookup take the system as it has been designed and should pay for the improvements necessary to serve them and not adversely impact existing customers. Then the CEO pointed out that these could be large expenditures and in light of the restricted funds use dilemma that these hookups should not be allowed to assess these costs. Thus the CEO will present the full cost for these hookups – for Cargill a booster system and capacity charges, etc. and for the Lake Wilson hookup the water main looping extension and capacity charges. Then they can decide what they want to do for water.

 Then the matter of the City of Ghent was taken up. There will be a 1:00 pm meeting Friday, April 4, 2014 with the City and the Coop. The Coop wants more water and the city has trouble getting the water through its system. LPRW has an adequate water line near the Coop to supply this volume. It was discussed that the Coop resells this water. Then discussion evolved of whether LPRW could furnish water directly into city limits or not. There would have to a city resolution to give LPRW its permission to do so. A discussion revolved around what was the correct capacity charges, rural versus city. It then was pointed out that water would be resold and that violates rural water hookup policy and that an exception would have to be made to the LPRW just reiterated and passed. Thus it was agreed LPRW would have to deal strictly with the city as to this hookup under the terms of its municipal capacity fees. Ghent will need to determine its water needs and then know that this is a daily peak use, understand that the Coop will need those waters during the most adverse time for LPRW, and know that the city metering will be monitored during this time for peak use and be charged for peak usage of what it has purchased

 Also, the matter of two meters for Ghent and other hookups was brought up. Nelson pointed out that one rural hookup wanted more water than could be obtained through the meter and thus a second hookup is being sought. Worthington has two hookups but it is also different in that it can supply emergency water to LPRW as it has its own water source. The CEO pointed out that it may be economically more advantageous to a customer to have second hookup on a property than requiring the customer to run his own service line to a remote location on that parcel. Also having second hookups with smaller meters helps control usage during peak usage times but gives the customer adequate water volumes timely. Also each hookup is modeled into the distribution system. Thus it was of the Board’s consensus that it is okay to have two hookups to the same property.

**Field Superintendents’ Report:**

Tom Muller- The freeze ups are probably over. He is working on inventory and setting in order the criteria of which meters to read based on usage.

 Shawn Nelson – presented the lawn mower bids and that two were very close. The bids showed that LPRW will save monies over bidding part of the work and doing the rest itself. The experience and capability of the bidders to get the mowing done timely were discussed. M/S/P- Kling/Buysse with Weber against to accept the low bid of John Blum and require insurance/bonding with LPRW named as the additional insured. LPRW will retain its mowers for the time being.

 Then Nelson presented the construction quotes of C and K construction and Green Energy solutions both were close. It was presented that sometimes logistically a contractor may not be available when work needs to be done and thus the Field Superintendents could use whichever contractor is available. There was on consensus of the Board to accept the dollar amount quote of C and K Construction as the not to exceed price for any hookup construction work by a contractor.

 There was also discussion to raise the rate of extra footage charges for hookups from $3.25/foot to $3.50/foot. M/S/P-U Petersen/Moen to change the extra footage charges to $3.50/foot.

**CEO’s Report:**

* The CEO presented together three regular and annual insurance resolutions. M/S/P-U Spronk/Feikema to adopt all three resolutions.
* Then the Wellhead Protection Phase I proposals from Liesch and LBG were presented. LBG though higher in dollar amount had a “not-to-exceed” clause and an alternative amount as had been requested which Liesch did not. M/S/P-U Buyssee/Kling to accept the bid of LBG.
* All other matters were previously discussed.

**Committee Reports:**

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

• **Personnel Committee:** Moen presented the March 18, 2014 Personnel Committee minutes. They had meet to look at a Wellhead Protection Manager as require by the MD of Health and cross training as to GIS and had meet with Jason Overby about this. M/S/P-U Kling/Norris to accept the minutes as presented.

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

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

• **MRWA Director:**  Spronk had nothing to report.

• **MGAFG:** Petersen reported on the annual meeting of the Minnesota Governmental Agency Finance Group: He related that Moody’s has downgraded the Group’s bond rating though it has not been delinquent. Loans will soon need refinancing and the Group will be contact with the borrowers about their options. Interest rates will likely be higher.

**Other:** The CEO in the absence of Bressler and Overby presented for review an operating statistics report. The consensus is to add previous year’s data for comparisons.

 Kling brought up that the Yellow Medicine Task force which seals wells is nearly out of funds for such. It would be good for LPRW to advertise in their newsletter and help with that cost. The consensus is the CEO can handle this matter out of the budget.

**Public Comment:** None.

**Adjournment:** M/S/P-U Kling/Lonneman to adjourn. The next regularly scheduled meeting is set for Monday, April 28, 2014 at 7:00 pm.

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