

JOINT POWERS WATER BOARD MINUTES
Regular Meeting of
December 28, 2005
6:00 PM JPWT Plant Board Room

Board Members Present: Jerry Zachman, Joyce Paullin, Gerhardt Kottke, Don Peterson, John Vetsch, Joe Hagerty

Board Members Absent: none

Staff Present: Chris Catlin, H.R. Green, Kelly Browning, Veolia Water NA

Others Present: Steve Bot, St. Michael City Engineer, Adam Nafstad, Albertville City Engineer

6:04 PM **Call to Order** by Jerry Zachman

MOTION BY PAULLIN, SECOND BY KOTTKE, TO ADOPT THE AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

There was no one present under the **Citizen Forum**.

MOTION BY PAULLIN, SECOND BY HAGERTY, TO APPROVE THE MINUTES OF THE NOVEMBER 28, 2005, REGULAR BOARD MEETING. MOTION CARRIED UNANIMOUSLY.

MOTION BY PAULLIN, SECOND BY KOTTKE, TO APPROVE THE CONSENT AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

Under **Visitors-Rob Nelson of Heidi's Market**, Mr. Nelson was not present. Mr. Nelson had submitted a request for the Joint Powers Board to review the WAC fees that he had paid in 2004 and consider a reduction/rebate. Boardmember Peterson stated that they had spoken with Mr. Nelson and that the request did not need to be addressed by the Joint Powers Board at this time. The item was not discussed.

Under **Unfinished Business**, the Board reviewed the status of the proposed commercial WAC fee policy revision. Browning re-introduced the item by reviewing the previous Board discussions and subsequent joint staff meetings. The Board had requested at their November meeting that the member City Engineers, City Administrators, and Joint Powers Board Staff meet again to discuss the policy and present a consensus and recommendation to the Board at the December meeting. HR Green summarized that meeting in the form of a Memorandum of Understanding that each of the three Cities' meeting representatives were to sign as confirmation of the results of that meeting. That memorandum was enclosed in the Board packets.

Browning summarized the joint staff meeting and memorandum, stating that there was a general consensus of those present at the meeting that the policy seemed reasonable and appropriate. The City of Albertville did have some minor modifications/additions that they would like to see in the policy. Adam Nafstad of Bolton and Menk, Albertville's Engineer

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representative, was present to discuss a review that he had done of many of the Commercial accounts and how the policy would have impacted those permit applications if they were to come in today. He affirmed that none of them would have paid a lower WAC fee if the new policy had been in place. As a matter of fact, it demonstrated that the policy, as well as the Met Council SAC manual REU designations, were indeed on the low side of what actual water use was indicating for many of these accounts. He then reviewed the additions that the City of Albertville would like to see to the policy. They include:

1. Requiring the Joint Powers Board staff to collect comparable use information, rather than the applicant.
2. Make it clear that the City would ultimately be responsible for payment of any WAC fees that do not get paid by the developer/applicant.
3. This policy revision should be considered / reviewed again in one year to determine if it is reasonable.
4. That each WAC variance request that is applied for, must not only meet the approval of the respective City engineer and the Joint Powers Board engineer, but must also be approved by the Joint Powers Board at a regular meeting.

Boardmember Peterson stated that they felt that Joint Powers should be responsible for researching the comparable uses. Browning and Catlin stated that the intention was for Joint Powers staff to review these in detail, but that by forcing the developer to provide comparable water usage information it would essentially weed out those that would not meet the criteria for the policy. Hagerty agreed that the majority of the footwork should be done by the developer/applicant and then staff would have the ability to accept or reject the documentation, as well as confirm it as reliable. Peterson felt it was important that the Board itself be more involved in these policies and the decisions that impact the Board's financial status. Zachman agreed. Zachman asked if all in attendance were in agreement with these additions, directing the questions to Nafstad, Bot, Catlin, and Browning. Bot stated that he was fine with all of the recommendations except that he felt the Board's approval should not be necessary. If any variances approved were in accordance with this policy, requiring Board approval could potentially lead to this long process and project delays in the future. This discussion had taken months to get to this point. He felt that it would mean re-educating future Board members and staff each time a variance may come up for approval. Peterson added that he felt that was a good thing, as the Board should be aware of these issues, especially when they impact the Boards financial condition. Peterson reiterated that this Board is responsible for the funding of the water system and by having the Board being involved in approving these variances helps to ensure this will happen

Some general discussion followed. Hagerty commented that he felt that the legwork for the comparable water usage information should be done by the applicant first and thoroughly reviewed by the Joint Powers staff. If there was any concern, then Board staff could pursue additional information. There was then general consensus that the Joint Powers Board staff, in regards to item #4, would find additional comparable water usage

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information IF they believe that the information submitted by the applicant is not an appropriate comparison. MOTION BY PETERSON, SECOND BY ZACHMAN, TO APPROVE THE PROPOSED POLICY WITH THE FOUR ADDITIONS AS PRESENTED AND DISCUSSED. MOTION CARRIED UNANIMOUSLY.

The Board members received a copy of a memo and Excel worksheet that was addressed to the Joint Powers Water Board from the City of Albertville, dated Dec. 22, 2005, regarding WAC fees that are collected by the City on behalf of the Board. Browning introduced the item by summarizing the memo. In 2004, there had been significant staff turnover and transitions at the City staff level. This had resulted in some WAC fees collected being coded into the wrong account that resulted in the monies not getting "swept" and paid to Joint Powers. Browning stated that the Albertville staff, herself, and Shelly had been working together on the documentation, tracking, and auditing of these accounts for many months and the Joint Powers staff felt very comfortable that the issues had been satisfactorily resolved. Peterson acknowledged that they were very aware that they had issues and problems going back to the staff turnover and transitions in 2004.

Zachman noted the interest rate that Albertville had voluntarily paid, questioning if it was high enough. Browning stated that, nationwide, the 2004 interest rates had been very low and that had we had the money in our accounts, we would have made slightly less than the 1.9% that Albertville had paid. Browning also stated that she felt comfortable with this, especially considering Joint Powers does not have a policy in place that addresses this situation. She stated that if the Board wishes, a policy could be proposed for use in the future, but that it did not seem appropriate to arbitrarily impose a penalty in this case for which there was no policy. Zachman asked Browning if her staff was comfortable with the interest rate paid, and she said they were.

Peterson stated that he felt that the interest rate paid was more than generous and that they even voluntarily paid that without being asked to. He stated that the City would not have had to come forward with this accounting discrepancy and just swept it under the rug, but in their efforts to be above-board, disclosed these accounting errors themselves. Browning stated that her staff and the City staff had been working very well together for many months to address the WAC fee documentation and auditing of the 2004 and 2005 monies. This was a result of those joint efforts and cooperation. It had simply been a long process because the Albertville staff had to put forth considerable time and energy into tracing all of the receipts. Browning also stated that all of the documentation that she has received from Albertville now is complete and can be readily reviewed. She commented that she is comfortable with the point that we are now at.

Browning also stated that in the past several years there had been some discussion about auditing the monies that the member Cities collect on behalf of the Joint Powers Board. Particularly, it had also been discussed with the Joint Powers Board and auditors. She felt that it could be made a part of the routine auditing process that the Board and member Cities go through each year. It wasn't a matter of distrust, but a tool for having some

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checks and balances. Also, by having this audit done annually it would prevent large or recurring errors from happening. Browning also stated that in hindsight she should have probably been more vocal about the need for more checks and balances. She again reiterated that she felt comfortable as to where we are at with this issue, but additional checks and balances would be a positive thing and would greatly appreciate the Board directing staff and the auditors to move forward and support this effort.

Hagerty commented that he was very concerned about this and that was strongly in favor of an audit process. He agreed with Peterson in that the Board needs to be fiscally responsible. This is another way to track the monies that all three Cities collect for Joint Powers.

Peterson stated that he could not make any decision or comments on auditing the City's records. He questioned whether it was legal for someone to go into the City's financial records like that, and he would have to discuss this with his Administrator and City Attorney. He reiterated that this item was also not on the Agenda, so there could be no decisions made at this time. Browning stated that she was not asking for a formal decision tonight but was simply putting it to the Board for discussion at this time. Staff and the member City Administrators could meet to discuss this and a recommendation be brought to the Board at a future meeting. Vetsch recommended coming back at the next meeting with a proposal on how to proceed. Catlin recommended that staff look into the issue and have a recommendation to the Board no later than the February meeting. This will give staff time to consult with the member City staff members, as well. Hagerty commented that he was not trying to be critical of any particular City in regards to having an audit process and that he would have just as serious of a concern if a similar issue came up within the City of St. Michael, and like many Cities, have had issues in the past, too. He felt all three Cities should be treated equally in this matter.

It was the consensus of the Board to charge staff to consult with the member City staffs and come back with a recommendation on how to proceed with this issue.

Under **New Business**, Browning reviewed the proposed *2006 fee schedule*. It was pointed out there were only a few items that were proposed to be increased for 2006, the major change being the change in the water rate STRUCTURE. This was the same rate structure that they have seen at the past couple of Board meetings. The old structure was based on a minimum charge of 10,000 gallons per quarter and had been that way for many years. The proposed changes would mean a modest base rate plus a "per 1,000 gallon" charge. There was still an inclining rate for that portion that is intended to be a disincentive for excessive water usage. The change in rate structure will do several things. Eliminating the minimum charge would show a net decrease in the water bills for those homes that use less than 10,000 gallons. This would positively impact, more specifically, seniors and one- and two-person households that consistently use less than 10,000 gallons. The feeling is that they should get credit for conserving water. The changes also include to now allow for full prorating of the base fee for final billing accounts. This would eliminate the perception

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that two parties are being billed for the same time period. This was primarily an issue for anyone that was moving within the service area. Browning also presented a spreadsheet that she had built that provided a cash-flow analysis of how these changes would impact the Board's bottom line. The impact was a net gain of approximately 4% overall, which is equivalent to the standard annual increase based on Construction Cost Index. The "per 1,000 gallon" rate remained the same for 2006 as in 2005, because the base fee and change in structure covered the overall revenue increase necessary to cover costs.

The only other change in fee schedule was the increase in the WAC fee (Water Access Charge). The increase proposed is 4.6%, based on Construction Cost Index. This is a very logical basis for the WAC fee increase, as WAC fees are intended to be used for capital improvements and debt service on capital projects. MOTION BY PAULLIN, SECOND BY VETSCH, TO APPROVE THE 2006 FEE SCHEDULE AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

The next item discussed was the status of the *Wellhead Protection Plan*. Catlin noted that the next step in the process is to hold a public informational meeting. This is scheduled to be held at the January meeting. Neighboring local units of government and other interested parties received the information that was enclosed in the packets. The public informational meeting will also be advertised and open for any of the public to attend and learn more about the Wellhead Protection Plan.

Under **Engineering**, Catlin recommended payment of \$40,375.95 to Rice Lake Construction Group for Pay Estimate #11 of the Water Treatment Plant Expansion. MOTION BY VETSCH, SECOND BY PAULLIN TO APPROVE PAY ESTIMATE# 11 TO RICE LAKE CONSTRUCTION GROUP IN THE AMOUNT AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

Catlin handed out the bid tabulation for the bids that were received that same day for the Wellhouse #9 project. MOTION BY PETERSON, SECOND BY PAULLIN, TO AWARD THE BID FOR WELLHOUSE #9 TO ENCOMM IN THE AMOUNT OF \$1,411,141.00. MOTION CARRIED UNANIMOUSLY.

Catlin recommended final acceptance of the Tower #2 project by CBI. CBI and the Joint Powers staff agreed that Joint Powers would keep the \$5,000 retainage to be used to finish the remaining site work. MOTION BY PETERSON, SECOND BY PAULLIN, TO APPROVE FINAL ACCEPTANCE OF THE TOWER #2 PROJECT BY CBI, WITH THE RETAINAGE TO BE KEPT AND USED FOR THE REMAINING SITE WORK. MOTION CARRIED UNANIMOUSLY.

Under **Operations/Office**, there was nothing further to present.

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Under List of Claims, MOTION BY PETERSON, SECOND BY PAULLIN, TO APPROVE THE LIST OF CLAIMS AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

There was no **Other Business/Announcements/Correspondence.**

MOTION BY PAULLIN, SECOND BY PETERSON, TO ADJOURN AT 7:15 P.M. MOTION CARRIED UNANIMOUSLY.

Recording Secretary