

JOINT POWERS WATER BOARD MINUTES
Regular Meeting of
March 27, 2006
6:00 PM JPWT Plant Board Room

6:00 PM **Call to Order** by Chairperson Joyce Paullin

Board Members Present: Jerry Zachman (6:05 pm), Joe Hagerty, Gerhardt Kottke, John Vetsch

Board Members Absent: Don Peterson

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

Staff Absent: None

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

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

MOTION BY KOTTKE, SECOND BY VETSCH, TO APPROVE THE MINUTES OF THE FEBRUARY 27, 2006 REGULAR MEETING. MOTION CARRIED UNANIMOUSLY.

MOTION BY HAGERTY, SECOND BY ZACHMAN, TO APPROVE THE CONSENT AGENDA AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

Under **Unfinished Business**, Browning discussed the Water Treatment Plant Sludge. Browning said that after discussion with each city's staff, St. Michael agreed to take all or a portion of the sludge, billing JPWB 03.5 cents per gallon. Albertville agreed to take their proportionate share of the sludge for the same quoted price, but due to the upcoming treatment plant expansion, would prefer not to deal with it at this time. The annual amount is estimated at \$4,200. Unless there were any objections to sending all the sludge to St. Michael at 03.5 cents, no action required by the Board.

In other **Unfinished Business**, Browning discussed the written response she sent to the St. Michael City Administrator, Bob Derus. Mr. Derus sent a draft letter which was originally directed to Browning and Larry Kruse but was then revised and sent to the JPWB auditor. The letter to the auditor was distributed to Board Members as it was not received until after the board packets went out. The letter listed his concerns regarding the audit performed and requested additional review be conducted. Browning's written response was drafted referencing the original letter and discussed the steps which had previously been taken to investigate WAC calculations, the current controls in place and her preference for Board direction before additional action is taken. Browning felt her letter addressed the concerns in both letters, which she felt were similar. Browning explained the JPWB auditor, Steve McDonald, had looked back to the beginning of 2003 and in doing so had discovered Albertville's financial records prior to 2003 were "a mess", which he discussed with Mr. Derus in a phone conversation. Browning stated McDonald had told her the books prior to

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2003 were done by different people using different software, and perhaps the statement “a mess” was being taken out of context.

Browning explained the reason she wasn't overly concerned with pre-2003 activity was that the support documentation provided to JPWB by Albertville during that time, while not consistent, was more clear and easier to follow. Chris Catlin had already reviewed 2002 and 2003 commercial WAC calculations, which Browning addressed in her response to Mr. Derus.

Browning added she has approached the issue differently than if it were a private business refusing to pay their bill, and tries to treat each city's staff as if they are all working toward the same goal. She stated that she views each City as a “part of” the JPWB and their respective staffs should be treated as such. Browning stated Mr. Derus expressed serious concern about how the situation is being handled. Browning asked Board Members if they would like her to handle the situation differently and requested direction from Board Members before proceeding.

Hagerty stated his concern is that procedures are in place so problems don't occur in the future and suggested regular meetings in which city staff and JPWB staff, in particular the engineering and finance departments, discuss ongoing issues in order to better advise their respective council and board members. Hagerty asked if both JPWB staff and auditors felt comfortable with procedures now in place. Browning replied there are five different controls which have been in place since last fall which the auditor considers more than adequate, and she's comfortable that the processes will prevent future problems. Browning noted she is in favor of going back one more year or more, but the Board should consider the cost of an additional audit against the benefit gained. Hagerty inquired if there were specific events in each city that occurred prior to 2003 and Browning explained that until 2003 the previous Administrator performed the bookkeeping for Albertville, and audit detail reports of the funds collected on behalf of Joint Powers were usually included with the checks.

Zachman asked if the auditors had reviewed the audit findings or recommended any procedure changes, especially since the comment “a mess” was used in discussion to Mr. Derus without clarification. Browning explained McDonald had not recommended procedure changes because the controls implemented last fall were adequate and both she and Keyes spoke with Steve McDonald who indicated that almost any audit could find additional corrections, so it becomes a question of if the Board wants to spend money to continue looking back. Browning said she understood McDonald's reference to the Albertville books being “a mess” to mean that information is more difficult to compile and document and restoration more time-consuming when reviewing older records, rather like learning a new language.

Kottke inquired about the cost to go back either one or two years and Keyes explained the special audit to review 2003, 2004 and 2005 cost \$6,200 in addition to the regular audit. Hagerty commented that he sensed the auditor felt comfortable with the documentation for 2003 and Browning agreed, but said she was waiting to hear back from McDonald one more time.

Zachman inquired if the engineers who calculate and review WAC fees could meet every quarter and Catlin responded that the current system works well, with each city's staff

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emailing the WAC calculation to HR Green for review. Catlin added that he agreed staff should meet regularly and Browning noted that meetings would allow staff to constantly review and improve procedures, in addition to improving communications between the respective engineering and finance departments. Zachman commented that the issues could be handled at staff level and Browning agreed but stressed the need for an annual audit of WAC fees.

Vetsch acknowledged Albertville's problems with bookkeeping in the past due to staff turnover and stated he had no problem with another audit if the Board felt it necessary. Browning added she felt responsible for not resolving the issue sooner but discussion of policies and procedures has been ongoing over the last couple of years and should have been in place when the distribution systems were given back to each city.

Zachman asked if the shortfall by Albertville that the auditors found occurred due to incorrect calculation of WAC residential equivalency units (REU's) in the past and Browning explained there were some incorrect calculations but the majority of the problems in Albertville were due to bookkeeping errors in which monies collected on behalf of Joint Powers were miscoded to incorrect accounts. The person in accounts payables wouldn't know money was owed and therefore would never cut checks to Joint Powers, similar to the 2004 missed sprinklers in St. Michael. Browning added the procedures now in place, along with an annual WAC audit, will catch any errors and recommended the Board consider going back one year at a time if they approve further audits.

Paullin suggested the Board recommend a quarterly meeting of city and JP staff to discuss ongoing issues and table any action regarding additional audits pending a cost estimate and clarification of statements regarding Albertville's books pre-2003 from Abdo, Eick & Meyers. After further discussion, Board Members agreed by general consensus.

In other **Unfinished Business**, Browning discussed interest rates to be paid on delinquent WAC fees in the future and for the amounts the auditors had found in their special audit. Browning asked for formal adoption of the policies and procedures that were agreed upon at a joint city/JPWB staff meeting that was held in January. There was not a policy regarding interest previously in place. Zachman asked if the Board had set the 1.93% which Albertville paid and Browning explained both cities had paid their delinquent WAC amounts based on amounts the auditors presented, not a bill generated by Joint Powers. Albertville voluntarily paid 1.93% based on actual interest received in their bank accounts. The Board had agreed at the December meeting that 1.93% was adequate, but needs to formally adopt the Accounting & Management Controls as part of the JPWB policies going forward. The Controls were developed by city and JP staff to address issues such as consistent monthly reporting from each city, an annual audit of WAC fees at each city, interest of 1.5% per month after 60 days (18% annually) for non-payment, review of WAC calculations by JP engineering staff on commercial permits and an August 1st deadline for future billing and rate changes. Further discussion followed and Board Members agreed to stick with 1.93% interest rate set in December to apply to the WAC fee corrections found by the auditor. Zachman asked if 1.93% was paid on the latest reconciliations; Browning stated Albertville paid the 1.93% but St. Michael had paid the missed sprinkler accounts

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without adding interest. Zachman and Hagerty stated St. Michael needs to be billed for the delinquent interest. Browning requested a motion on the 1.93% interest rate for the audit findings and the Accounting & Management Controls as presented for current and future WAC fees. MOTION BY KOTTKE, SECOND BY HAGERTY TO ACCEPT 1.93% INTEREST RATE FOR DELINQUENT WAC FEES. MOTION CARRIED UNANIMOUSLY. MOTION BY VETSCH, SECOND BY ZACHMAN TO APPROVE THE ACCOUNTING & MANAGEMENT CONTROLS AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

There was no **New Business**.

Under **Engineering**, Catlin discussed the letter submitted by the Minnesota Department of Health (MDH) regarding the Aquifer Storage and Recovery Project (ASR) proposal which was sent to each Board Member. Catlin explained the letter seemed to convey a negative tone and covered technical aspects of the ASR project which MDH wanted Board Members to be aware of. Catlin added since the letter was written, he's received a more positive response from several regulatory agencies, including approval from MPCA. The MDH technical department has scheduled a meeting next week with HR Green to explain the remaining procedures needed for project approval.

Kottke asked how deep the test holes were for the ASR project. Catlin explained the contaminant plume from the landfill is very shallow and moving east, while the ASR site is south of the plume and much deeper, with many layers of rock between for protection. The 3 test holes were drilled at various depths and showed no evidence of contamination. Catlin added the MDH letter is a status report of the ASR project and no action is required by the Board.

Under **Operations/Office**, Keyes passed around a printout from the JPWB website which is in the process of being developed. The website will be available for customers to access information regarding rates, email questions, concerns or meter reads and submit customer change forms when they move in or out of the JPWB system. No action required by the Board.

MOTION BY ZACHMAN, SECOND BY HAGERTY TO APPROVE THE LIST OF CLAIMS AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

MOTION BY HAGERTY, SECOND BY ZACHMAN TO ADJOURN AT 6:54 P.M.
MOTION CARRIED UNANIMOUSLY.

Recording Secretary