

JOINT POWERS WATER BOARD MINUTES
Regular Meeting of
March 26, 2007
6:00 PM JPWT Plant Board Room

6:00 PM **Call to Order** by Chairperson Ron Klecker

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

Board Members Absent: None

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

Staff Absent: None

Browning requested two additions for discussion under New Business; Irrigation Well for STMA High School and Well Development at the 15th Street Well site. MOTION BY KOTTKE, SECOND BY PAULLIN, TO ADOPT THE AGENDA WITH ADDITIONAL DISCUSSION ITEMS INCLUDED. MOTION CARRIED UNANIMOUSLY.

MOTION BY PAULLIN, SECOND BY ZACHMAN, TO APPROVE THE MINUTES OF THE FEBRUARY 26, 2007 REGULAR MEETING. MOTION CARRIED UNANIMOUSLY.

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

In **Unfinished Business**, Keyes presented a comparison of banking rates for Board review. Keyes explained the rates were all very competitive but recommended Great Northern Bank remain the official depository with an additional rate review year end 2008. MOTION BY ZACHMAN, SECOND BY PAULLIN TO MAINTAIN GREAT NORTHERN BANK AS THE OFFICIAL DEPOSITORY AND REVIEW BANKING RATES AGAIN AT YEAR END 2008. MOTION CARRIED UNANIMOUSLY.

In **New Business**, Andy Berg of Abdo, Eick & Meyers presented the 2006 audit. Berg stated an unqualified, or clean, opinion was the result of the audit. Berg added special testing was performed on the WAC connections from Albertville this year and similar tests will be performed next year on one of the other member cities' documents. The special testing involves tying out the building permits issued by each city to the connection fees collected at Joint Powers.

Berg also reviewed the management letter for the 2006 audit, noting the only reportable condition was segregation of duties, common in offices with limited staffing. Berg added review of monthly financial statements by Board Members would adequately offset the condition. Berg also discussed operating revenues which have increased over the past three years, while non-operating revenue decreased in 2006, mainly due to fewer building permits being issued. Zachman questioned the sharp increase in non-operating revenue in 2005 compared to 2004 and 2006. Berg explained the 2005 revenue was up due to prior year connections fees collected, while 2006 revenue was for actual 2006 business. Zachman also questioned the considerable difference between 2004 and 2005 Cash and Temporary Investments. Berg explained the sharp increase was due to the 2005 Bond

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being issued, and Browning added additional cash had been invested in anticipation of a large drawdown schedule for capital improvements.

Klecker asked if the \$4.6 million in cash equivalents at year end seemed excessive and Berg replied that future construction commitments and debt service for bonds accounts for almost \$2 million of that cash. Browning added the delay of the Aquifer Storage and Recovery Project last fall meant cash allocated for that project had not been spent by year end as planned.

Klecker requested clarification of steps the Board should take to avoid the issue of segregation of duties on the next audit. Keyes explained that billing and cash receipts duties have been split so that no one person ever handles the transactions from beginning to end. Berg added new auditing standards will be in place for 2007 which requires auditors to look more closely at internal controls, but until then the best way to monitor financial activity is to review the financial statements every month. Paullin complimented the JP staff for the excellent job working with the auditors and noted there were prior years when audits weren't as effortless. MOTION BY PAULLIN, SECOND BY ZACHMAN TO APPROVE THE 2006 AUDIT AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

In other **New Business**, Browning discussed antenna lease options presented by Sprint/Nextel and Verizon. Sprint/Nextel presented a new proposal to the revised lease which the Board had rejected in January. Browning explained that Tower Lease Manager Dennis Esterly recommends the Board reject this offer also since the changes do not benefit JPWB.

Browning explained the Verizon contract renewal date is July 1st, 2007 and the proposed lease renewal includes an annual rent payment at the beginning of each year for nine years, a rent reduction of approximately 16% and an escalator reduction of 50%. Zachman questioned if this was the first proposal from Verizon and Browning confirmed and added that Esterly's discussion with Verizon indicated they don't have much money invested at the site and weren't interested in negotiating. Vetsch questioned if nine years was typical and Browning confirmed. Hagerty asked if there was any other potential customers seeking tower space and Browning explained the market was currently slow, with no inquiries regarding tower space rental at either tower. Zachman asked Browning if she felt comfortable with the Verizon proposal and Browning confirmed she trusted Esterly's opinion. MOTION BY ZACHMAN, SECOND BY PAULLIN TO ACCEPT THE VERIZON TOWER ANTENNA LEASE RENEWAL AS PRESENTED. MOTION CARRIED UNANIMOUSLY. MOTION BY ZACHMAN, SECOND BY PAULLIN TO REJECT THE SPRINT/NEXTEL TOWER ANTENNA LEASE PROPOSAL. MOTION CARRIED UNANIMOUSLY.

In other **New Business**, Browning discussed the STMA School's request to drill irrigation wells at the new school site, the current high school and Big Woods Elementary. Browning explained that irrigation wells are allowed in the Joint Powers service area, except for the

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Wellhead Protection Plan area. The Wellhead Protection Plan is required by the State of Minnesota for areas surrounding public water supply wells. Big Woods Elementary is not in the Wellhead Protection Area, however, the current STMA High School is, and the new school site is in the Wellhead Management Area.

Browning explained the Minnesota Department of Health considers any private well in the Wellhead Protection area a contamination risk because it's a direct conduit to the groundwater. Any wells in the Wellhead Protection Area would have to meet or exceed multiple requirements by the Department of Health, including regular testing, monitoring, security and an emergency response plan.

Zachman commented that he thought the Board was encouraging irrigation wells and Browning confirmed but added the current STMA High School property is almost completely in the one-year emergency response zone, meaning it would take less than a year to completely contaminate the wellfield if there were an accidental spill. The location of the new school site would have a ten year travel time for contaminants to reach the wellfield.

Browning explained the Department of Health and the hydrologist did not say irrigation wells couldn't be drilled, but the school would have to meet a list of conditions. Hagerty asked what specific contaminants were of concern and what could be done if contamination occurred, and Browning stated fertilizer would be the main concern, and Larson added that if a volatile substance such a gasoline was the contaminant, the repairs to treat the wellfield would be very costly. General discussion followed. Board Members agreed the risk to the public water supply was too great to allow an irrigation well to be installed at the current STMA High School. MOTION BY ZACHMAN, SECOND BY PAULLIN TO DENY THE REQUEST FOR AN IRRIGATION WELL TO BE INSTALLED AT THE CURRENT STMA HIGH SCHOOL SITE. MOTION CARRIED UNANIMOUSLY.

Additional **New Business** included discussion of the Well #9 development on 15th Street. Traut Wells needs to pump several million gallons of water from the well as part of the well development and there is concern regarding where that water will flow as it's pumped. Browning explained that JP engineers, St. Michael city engineers and the nearby landowners have been contacted and all parties agree the best solution is to pipe the water to Gonz Lake.

Browning referred Board Members to a memo of understanding drafted for three different land owners which states the JPWB will monitor the procedure and take whatever steps necessary to control erosion and excessive ponding, and provide compensation for crop losses if necessary. Browning explained the memo is not a formal agreement, or legally binding, but a written statement provided to land owners to communicate the current situation.

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Zachman stated he met with the well drillers and they have 1200 feet of pipe which will get the water over the rise to the 960 degree elevation, after which the water can flow naturally through Richard Johnson's field. Zachman added the water will be disbursed over rocks as it comes out of the pipe to reduce erosion. Browning explained the pumping and piping will take approximately three days and the procedure will be monitored closely by JP staff and engineers. General discussion followed. MOTION BY ZACHMAN, SECOND BY PAULLIN TO APPROVE THE MEMO OF UNDERSTANDING FOR WELL DEVELOPMENT AND WATER DISCHARGE AT WELL #9. MOTION CARRIED UNANIMOUSLY.

Under **Engineering**, Larson recommended payment of Pay Estimate #7 for \$50,281.60 to EnComm Midwest for Wellhouse #9. MOTION BY VETSCH, SECOND BY PAULLIN TO APPROVE PAY ESTIMATE #7 AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

Larson also recommended payment of \$4,630 to Mickman Brothers for landscaping work performed at Water Tower #2. MOTION BY PAULLIN, SECOND BY KLECKER TO APPROVE PAYMENT TO MICKMAN BROTHERS AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

Under **Operations/Office**, Browning requested the Board reschedule the May regular meeting, which will fall on Memorial Day and added the rescheduling was important for some Wellhead Protection deadline criteria. Board Members agreed to reschedule the May meeting for Wednesday May 30th at 6 pm.

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

In **Other Business/Announcements/Correspondence**, Paullin requested JP staff reset the Board Room clock to the correct time.

MOTION BY ZACHMAN, SECOND BY PAULLIN, TO ADJOURN AT 7:00 P.M. MOTION CARRIED UNANIMOUSLY.

Recording Secretary