

**Minutes of Meeting
Southwest Water Authority
Board of Directors
January 8, 2018
SWA O&M Center Office, Dickinson, ND**

1. Call to Order – Pledge of Allegiance

The Southwest Water Authority Board of Directors met on Monday, January 8, 2018, at the SWA O&M Center Office, Dickinson, ND. Chairperson Bares called the meeting to order at 9:03 a.m. MST, followed by the Pledge of Allegiance.

Present at the meeting were: Directors Larry Bares, Steve Schneider, Glenn Eckelberg, Bob Leingang, Brian Roth, George Saxowsky, Rick Seifert and Mike Tietz; Leander McDonald, SWC; Sindhuja S. Pillai-Grinolds, SWC; Jim Lennington, Bartlett & West/AECOM; Jack Dwyer, Legal Counsel; Dustin Laufer, Adams County resident and Commissioner. Also present were: Mary Massad, SWA Manager/CEO; Sandra Burwick, SWA CFO/Office Administrator; Misti Conzemius, SWA Marketing Manager; Andy Erickson, SWA Water Distribution Manager; Jen Murray, SWA Executive Assistant; Laura Jonio, SWA Administrative Assistant; Director Gene Allen and Melanie Goetz, Hughes & Stuart, joined the meeting via Skype.

Absent: Directors Marie Johnson, Dave Juntunen, James Odermann and Don Schaible were excused.

Appoint Board Recorder

Chairperson Bares appointed Director Eaton to the position of flip chart recorder to replace Director Stang. Director Eaton accepted the position. It is a great loss to SWA, the SWPP and southwest North Dakota, to lose Director Stang.

2. iPad Tutorial

Burwick presented a PowerPoint to review operating instructions for iPads with the Board members.

3. Agenda

3.A. Review Agenda

3.B. Consent Agenda*

Minutes of the December 5, 2017, Board of Directors Meeting and Accounts Payable & Financial Reports

Chairperson Bares asked for approval of the consent agenda items: Minutes of the December 5, 2017, Board of Directors Meeting and Accounts Payable & Financial Reports. Copies are on file with the official minutes.

Motion by Director Leingang, seconded by Director Seifert, to approve item 3.B. Minutes of the December 5, 2017, Board of Directors Meeting and Accounts Payable & Financial Reports on the consent agenda. Motion carried by a voice vote without dissent. Director Schneider was absent and not voting.

4. Board Policy Review and Monitoring

4.A. Policy III.D. Board Governance Process-Board Committee Principles *

Chairperson Bares reviewed the policy and asked if there were any comments or additions to Policy III.D. Board Governance Process-Board Committee Principles. There were none. A copy of the policy is on file with the official minutes.

Motion by Director Roth, seconded by Director Eckelberg, to approve Policy III.D. Board Governance Process-Board Committee Principles. Motion carried unanimously by a roll call vote. Director Schneider was absent and not voting.

5. Decision Making

5.A. Policy II.C. Executive Limitations-Financial Condition and Manager/CEO Internal Report*

Massad reviewed Policy II.C. Executive Limitations-Financial Condition and Manager/CEO Internal Report. A copy of the policy and the Manager/CEO Internal Report are on file with the official minutes.

Motion by Director Leingang, seconded by Director Tietz, to approve Policy II.C. Executive Limitations-Financial Condition and the Manager/CEO Internal Report. Motion carried unanimously by a roll call vote. Director Schneider was absent and not voting.

5.B. Policy II.E. Executives Limitations-Asset Protection and Manager/CEO Internal Report*

Massad reviewed Policy II.E. Executive Limitations-Asset Protection and Manager/CEO Internal Report. A copy of the policy and the Manager/CEO Internal Report are on file with the official minutes.

Motion by Director Seifert, seconded by Director Eaton, to approve Policy II.E. Executive Limitations-Asset Protection and the Manager/CEO Internal Report. Motion carried unanimously by a roll call vote. Director Schneider was absent and not voting.

5.C. Liability Insurance*

Burwick reported NDIRF is offering \$10 million liability insurance. SWA's current limits on each the Business Auto and the General Liability are \$2 million. Burwick reviewed spreadsheets showing the costs of premiums to increase coverage of liability insurance. Currently SWA is paying \$82,217.00 for \$2 million in liability insurance. It was recommended SWA: 1) increase liability insurance from \$2 million to \$5 - 10 million, 2) increase coverage to \$3 million or 3) remain at \$2 million until the 2019 budget cycle when the increased premiums can be included in the budget.

Jack Dwyer stated ND political subdivisions have a statutory cap on a liability claim of \$250,000.00 per person and \$1 million per occurrence. The concern is there are several situations where a claim could fall outside of the statutory limits in ND. The first, are federal claims which have higher caps. The second, were a plaintiff from another state or province were to make a claim, SWA would be subject to their limited liability caps. A third situation is a case being reviewed by the ND Supreme Court where a plaintiff is arguing the caps in ND are unconstitutional. If the plaintiff were to succeed in the case, political subdivisions will be need to review their risk management policies. Paying for the additional premium to increase coverage is affordable and far outweighs the risk of financial liability to SWA.

Massad recommended SWA increase the liability insurance to \$4 million now and should not wait until January 2019 to implement the increase.

Motion by Director Leingang, seconded by Director Eckelberg, to keep the liability insurance policy at \$2 million and until the 2019 budget cycle to increase the liability insurance limit to \$4 million.

Motion by Director Saxowsky, seconded by Director Roth, to amend Director Leingang's motion to keep the liability insurance at \$2 million until the 2019 budget cycle and then decide the amount the liability insurance should be increased. Amendment motion carried by a roll call vote. 6-Yes/4-No. Directors Allen, Eckelberg, Roth, Saxowsky, Schneider and Seifert voted yes. Directors Bares, Eaton, Leingang and Tietz voted no.

The motion as amended carried by a roll call vote. 7-Yes/3-No. Directors Allen, Eaton, Eckelberg, Leingang, Saxowsky, Schneider and Seifert voted yes. Directors Bares, Roth and Tietz voted no.

6. Board Member Reports

Chairperson Bares stated the Dickinson City Commission will need to appoint a representative of the city of Dickinson to fill SWA Director Stang's position for the remainder of his term. If any Board members know of anyone who lives in the city of Dickinson who would be interested should forward their name to Chairperson Bares.

6.A. Board Retreat Information

Massad stated SWA is continuing to move forward with the Strategic Plan established at the Board Retreat. One of the components of the plan is to develop a strategy to request funds from the SWC for future projects.

Jim Lennington directed attention to the Capacity Action Plan of the SWA Strategic Plan. He mentioned the study to be completed by July 2018 will not be a master plan for the system. The study will be a design report for the Ray Christensen Pump Station and main transmission upgrades needed to move more water out into the system from the WTP's in Dickinson. The design report will not encompass rural water expansions and will not involve the marketing department canvassing areas for additional signups. A request to fund the design report has been made to the SWC internally and Bartlett & West is preparing a new SA for the SWC to sign. SWA and the SWC will need to work together on future funding and discussions on where to take water and at what cost.

6.A.1. Mill Levy

Proposed legislation to make the mill levy permanent has been drafted and is included in the Board packet. Discussion on the mill levy included the effect on the city of Mandan. If SWA does not collect one mill from the city of Mandan, the authority to levy the tax will be shifted back to the joint water resource board, it does not disappear. Joint water resource boards have the ability to levy up to two mills. It is important to show local and regional support of the SWPP. This is shown by the local mill levy. How the mill levy money can be used is stipulated in the Century Code.

If the mill levy goes away, SWA would need to raise water rates \$0.25 to \$0.30 per thousand gallons of water to make up for the lost revenue. Making the mill levy permanent would show local support for the SWPP, which is giving the state a great return on its investment.

Talking points are being developed to aid Board members in discussions with legislators and others. Comments and additions to the talking points are most welcome. History of this issue will be discussed further.

6.B. Updated SWA Information

Chairperson Bares stated the SWA Information handouts have been updated. These handouts should be shared with your legislators and constituents. Hard copies are available.

6.C. 54th Annual Joint ND Water Convention and Irrigation Expo

Chairperson Bares reported the 54th Annual Joint ND Water Convention and Irrigation Expo was held December 6 through 8 at the Ramkota Hotel and Conference Center in Bismarck. The keynote speaker and guest of honor was Miss America, Cara Mund. Massad congratulated Chairperson Bares on being awarded the 2017 Water Wheel Award.

Massad stated the ND Water Education Foundation published “North Dakota Water,” which is a history book of water in our state from 1889 through 2000. Copies are available from the North Dakota Water Education Foundation office in Bismarck. This has taken several years to complete. SWA has supported this effort. There are also copies available at SWA’s office if you are interested in reading “North Dakota Water.”

Chairperson Bares introduced Dustin Laufer, rural resident of Adams County.

Mr. Laufer requested SWPP water service for his home in Adams County. Mr. Laufer is located in the Jung Lake Service Area. A hydraulic review of the Jung Lake Service area was completed by B&W in July 2016 and reviewed again at the meeting. Mr. Laufer’s location is on a line that is at capacity and has low pressure for some current users. Additional hook-ups on this line are unavailable. Mr. Laufer is currently number five on a waiting list of 23. The only current option is for someone to disconnect before Mr. Laufer could receive water service.

7. Incidental Information

7.A. SWPP Update

OMND (Oliver, Mercer, North Dunn) Regional Service

Rural Distribution Contracts:

Seeding, reclamation and administrative items remain before the contracts can be closed out.

Contract 1-2A Supplemental Raw Water Intake:

The contractor, J.W. Fowler, is in the process of developing a plan to recover the micro-tunneling boring machine by constructing a rescue shaft. The SWC was to receive plans to retrieve the machine from the contractor last week but plans have not yet been received.

Contract 3-2D Dickinson WTP:

The general contractor, John T. Jones, has completed the clarifier system startup. It is working part of the time. The secondary membrane system startup is planned for this week followed by the primary membrane system startup. The contractor is continuing to address leaks in the basins, general clean-up and flooring in the administration area.

The electrical contractor, Edling Electric, tested the Automatic Transfer Switchgear, and is currently working on the installation of smoke detectors, fire alarm conduits, wiring to the control panels and conduits for the ozone system.

The mechanical contractor, Williams Plumbing and Heating, Inc., is working on HVAC duct installation, hydronic piping, hooking up unit heaters and plumbing in the showers in the administration area. Permanent heat should be turned on this week.

Contract 5-1A and 5-2A 2nd Dickinson and 2nd Richardton Reservoir:

The contractor, John T. Jones, on Contract 5-2A, was to work on the drain board installation and begin back filling the reservoir walls this week. Lennington received an update today from the contractor proposing different options for backfilling after the drain board, which will push the back filling until spring.

The contractor, Engineering America, on Contract 5-1A, has mostly completed the installation of the tank panels for the new reservoir. The issues with the inlet pipe not holding pressure may be a result of a faulty valve. A new valve should be received this week. During inspection, issues with the flooring of the tank were discovered. The SWC is awaiting a solution from the contractor. A few exterior panels delivered last week are a different color than the others. The SWC is awaiting a solution from the contractor.

Contract 2-1B Raw Water Parallel Pipe from Intake to Zap:

The contractor, Rachel Contracting, has completed two of the three bores included in the contract. The 48" casing at these bores are complete and the contractor will return in the spring to install the 30" pipe.

Contract 3-2E Residual Handling building:

The contractor, Rice Lake Construction, has completed two base slab pours and was working on the third base slab and a wall pour when the site was flooded by a malfunctioning raw-water control valve in December. More than three million gallons of water flooded the site. The remaining wall pours have been delayed due to the incident, but construction is continuing.

7.A.1. SWA Construction

Massad reported the Dakota Access Pipeline (DAPL) crossings are complete. SWA has paid Dakota Directional in full. There may be more items to bill DAPL, who currently has a credit balance with SWA.

Lennington reported the installation work has been completed on the anode bed replacements. The system is scheduled to be energized and cathodic protection begin January 17, 2018. There is a delay in electric startup of the cathodic protection for the 2-3E line south of Dickinson.

Lennington reported the East Lime Sludge Pond Berm Raise has been completed. The contractor has been provided with a punch list. Clean-up will take place in the spring. Neither of the north or south gates have working latches or locks. The sub-contractor will need to be contacted to repair these items. There may be additional costs. This would be for fencing and dirt hauled.

7.B. Update from Manager/CEO/SWA Staff

7.B.1. Capital Repayment

Massad stated the spreadsheet shows capital repayment through December 31, 2017. The amount paid as of December was \$5,258,182.90 and the amount paid to date is \$57,614,703.11. The spreadsheet is on file with the official minutes.

7.B.2. Easement/Signup Update

Conzemius reviewed the Sign-up and Easement Report. Subsequent cost quotes, customer complaints and waiting list numbers were reported. A copy of the report is on file with the official minutes. The total number of subsequent customers added in 2017 is 158. There are 454 locations on waiting lists system wide as of the end of the year.

7.B.3. Water Depot Usage

Massad reviewed the Oil Industry Usage/Revenue and Projections spreadsheets and the Depot Sales vs. Projections spreadsheet. The actual year-to-date oil industry usage is 29,245,500 million gallons and the revenue is \$643,401.00. The 2017 oil industry usage budget is 50,275,000 gallons and the revenue budget is \$1,106,050.00. Copies are on file with the official minutes.

7.B.4. SWPP Funding and Project Review

Massad reviewed the Project Funding Spreadsheets. The SWC spreadsheet shows the 2015-2017 biennium committed funds and the requested funds for the 2017-2019 biennium as well as funds needed for raw water system upgrades. Bartlett & West is working on design plans for upgrades to the Dodge and Richardton Pump Stations.

Sindhuja Pillai-Grinolds stated the SWC has allocated \$6.3 million from the current biennium which will be used for some of the Residuals Handling Facility construction costs.

7.B.5. Subsequent Users

Massad reviewed spreadsheets requested by the Board of Directors showing the history and number of subsequent and rural customers not hooked up but paying their monthly minimums from 1995 to present. There are a total of 1,140 customers between subsequent and rural customers not using water. Of this total 853 are not hooked up.

7.B.6. SWC Meeting

Massad reported the SWC met on Friday, December 8, 2017, on the last day of the Water Convention. During the meeting, the SWC did approve Amendment #5 to the City of New England, the 2018 Capital Repayment and Replacement and Extraordinary Maintenance (REM) Fund rate for the SWPP. The Commission entered into executive session at the end of the meeting for attorney consultation regarding the supplemental intake.

7.B.7. ND Water Coalition

Massad stated December 14, 2017, Governor Burgum, Lieutenant Governor Sanford, Leslie Bakken Oliver (Governor Burgum's water policy advisor and legal counsel), State Engineer Erbele, Water Coalition Chairman Dave Sprynczynatyk, Mike Dwyer, and Water Coalition Executive Director Dana Bohn met to discuss beginning the process of developing recommendations for consideration by the full Water Coalition for funding needs in the next legislative session. A brief history of water projects and the Water Coalition was presented.

7.B.8. NDRWSA Expo & Conference and 2018 NRWA Rural Water Rally

Massad reported the NDRWSA 32nd Annual Water Expo will be held February 13-15, 2018, in Fargo. The National Rural Water Rally will be held in Washington D.C. February 5-7, 2018. Chairperson Bares and Massad will attend.

7.B.9. NDRWSA PAC

Massad reported on the NDRWSA's request for an annual Political Action Committee (PAC) contribution. The minimum amount requested is \$100.00 per board. Directors were asked to fill out contribution forms and make their contributions today. All contributions must be cash or check and cannot come from SWA, but rather individuals.

7.B.10. Replacement and Extraordinary Maintenance (REM) Fund

Massad stated a portion of SWA water rate is set aside in the Replacement and Extraordinary Maintenance (REM) Fund. For 2018 the rate was increased from 65¢ to 70¢ per thousand gallons. As of December 31, 2017, there is \$17,882,238.00 in the REM Fund. Research conducted by SWA has determined there is not an industry standard for the amount set aside for this type of fund, it varies from system to system. This fund is used for substantial expenses outside the normal O&M items. These expenses must exceed \$20,000.00, are extraordinary in nature and withdrawal of REM Fund dollars require approval from both the SWC and the SWA Board of Directors.

7.B.11. Emergency Response Plan

Massad stated the Distribution, Water Treatment and Administration departments are continuing to update the Emergency Response Plan.

7.B.12. Water Fluoridation Quality Award

Massad stated SWA is one of forty public water systems in North Dakota recognized for maintaining a consistent level of optimally fluoridated water for the 2016 calendar year. Both the WTP in Dickinson and the OMND WTP received the Water Fluoridation Quality Award. Massad thanked the SWA staff, Board members and consultants for their continued dedication to reach this goal.

7.C. Perkins County Rural Water System Update

Burwick stated the Perkins County Rural Water System's (PCRWS) December 12, 2107, meeting minutes are on file with the official minutes.

8. Review issues pending/Parking Lot/Plan next agenda

Motion by Director Eaton, to adjourn the meeting.

There being no further business, Chairperson Bares adjourned the meeting at 11:45 a.m. MST.

Larry Bares, Chairperson

Steve Schneider, Secretary/Treasurer