Heron Lake Watershed District (HLWD)
Regular Meeting
October 22, 2019

1. Call to Order
Bruce Leinen called the meeting to order at 7:00 p.m.
Managers present: Bruce Leinen, Jim Buschena, Harvey Kruger, Wayne Rasche, and Mark Bartosh
Staff: Jan Voit and Catherine Wegehaupt
Others present: Kevin Stevens, Cottonwood County; Jim Eigenberg, Jackson County; Justin Ahlers, Nobles County; and Paul Fishel, Svoboda Excavating

2. Agenda
No staff members of I+S Group were available to attend the meeting to explain the proposed change orders. Wayne Rasche made a motion to approve the agenda with the removal of the change orders for Jackson County Judicial Ditch (JD) 19 and Jackson County Ditch (CD) 3. Jim Buschena seconded this. Motion carried unanimously.

3. Quarterly Meeting with Commissioners
Jim Eigenberg reported that Jackson County is going to limit bonding projects going forward. They are in the process of scheduling public meetings. They are maxed out and if they keep going with bonding, the county will lose their credit rating. They don’t want that to happen.

Discussion topics included:
- Current and upcoming projects. The county is faced with capital improvement projects, such as the new jail, as well as ditch improvements. They have approximately 20 projects in the works right now. Included in those are HLWD improvement projects for JD 30, JD 19, CD 3, JD 3, JD 14, and JD 36.
- Bonding capacity. At a past meeting, it was mentioned that Jackson County could bond for $100 million in drainage improvements each year and the drainage bonds would not affect the credit rating. Jackson County has been informed that the maximum level of recommended debt is based on population, not property value. Murray and Cottonwood Counties could soon be facing the same situation. Nobles and Martin Counties have a much larger population and may not have the same difficulty. Jackson County could continue to bond for projects, but it would affect their credit rating by a quarter of a percent, which equates to a lot of money for the landowners. The county does not want to jeopardize their credit rating.
- Current drainage improvement projects. Joint Nobles-Jackson drainage projects include JD 24, JD 9, and JD 13. While there is opposition to these projects, they will likely be approved and Jackson County will bond for their share of the projects. Because the county is aware of their financial situation, at some point they will have to say no to bonding for drainage projects.
- Funding options. Landowners in Murray County abandoned a county tile system and funded the system improvements privately. That may be an option for some of the systems in Jackson County or the HLWD. Private funding puts the burden on the landowner, not the property. Bonding allows the property to be assessed and if the land is sold, the amount of the assessment is reflected in the purchase price.

Using the current statutory authority, the HLWD has limited capacity. Revenue bonds could be issued for the CD 3 project and backed by the basic water management levy. It is estimated that this would cost the landowners 10 percent more than the county’s general obligation bonding. Until those bonds are paid, no further projects could be financed.
Even if Jackson County has to pay a quarter of a percent more in interest, that interest rate is still less than a landowner could get through a bank or the HLWD could get through revenue bonding.

- Moving forward. Jackson County intends to hold public meetings regarding their financial situation and their intent to limit the projects for which they will bond. Landowners will still be able to file petitions, but the county will stop the process if they believe they cannot fund construction without hurting their credit rating. As far as HLWD projects, Jackson County thought that bonding for those were considered pass through funds that had no effect on the credit rating. That is not the case. The HLWD was urged to continue looking for a way to bond for their own drainage improvement projects.

4. Minutes
Harvey Kruger made a motion to approve the minutes of the September 17 regular meeting. Jim Buschena seconded this. Motion carried unanimously.

5. Treasurer’s Report and Bill Payment
Jan Voit presented the treasurer’s report and bills payable. Discussion was held about the bill from Larson Contracting and mobilization. Jim Buschena made a motion to approve the treasurer's report and pay bills. Wayne Rasche seconded this. Motion carried unanimously.

6. Lines of Credit (LOC) Proposals
Jan Voit explained that a request for proposals for LOC was sent to Bank Midwest, Bank of the West, Currie State Bank, Rolling Hills Bank, United Prairie Bank, Worthington Federal Savings Bank, and Security State Bank. She spoke with representatives of Bank Midwest, Currie State Bank, and Bank of the West. The only proposal submitted was from Currie State Bank.

If a different bank is selected, the current lines of credit for JD 3 and JD 14 would be paid off. It is unknown if online banking is available for depositing checks.

The current JD 14 LOC is $300,000. The current JD 3 LOC is $750,000. The LOCs renewed on an annual basis. The interest rate is 5.5 percent. The interest has always been paid at renewal.

Currie State Bank has proposed a 4.5 percent variable interest rate. It would increase whenever the prime rate goes up, which is a possibility with any bank loan. Moving the certificates of deposit is not required right now, but at maturity. They would be held as collateral for the LOCs.

Harvey Kruger made a motion to accept the Currie State Bank proposal. Jim Buschena seconded this. Discussion was held regarding the HLWD’s financial situation, statutory requirements for petitioned projects, the need to secure long-term financing, and the need for clarification at the state level about debt limits and bonding responsibility. Discussion was held regarding the pursuit of general obligation authority, whether or not the financial situation for bonding is a statewide issue or unique to counties within the HLWD, and whether or not a drainage authority has the right to pick and choose which systems would get financing.

Discussion was also held regarding the need for the HLWD to have the ability to offer landowners long-term financing through bonding if the county decides they will not, the HLWD’s current statutory bonding limit, accepting petitions contingent on construction being delayed, and that the upfront costs are currently covered by the petitioners’ bond. It was reiterated that clarification at the state level is necessary for all drainage authorities.

Harvey Kruger called the question. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.
7. **Drainage Cost Allocation**
   The HLWD has incurred $22,294.22 in legal fees related to drainage. Staff time for checklists, monthly drainage summary document, bonding conversations, and discussions with Jackson County staff, BWSR, and MAWD totals $3,854.07.

   Mark Bartosh made a motion to pay the costs through the general operating levy. Harvey Kruger seconded this. Discussion was held regarding whether or not it was fair to have all of the costs paid by all watershed landowners, information gathered in the CD 3 process is applicable to all drainage systems, costs incurred were because of Jackson County and HLWD board actions, cost savings due to the short-term financing, and the fact that the funds for these costs have been expended from the general levy. Harvey Kruger rescinded his second.

   Discussion was held regarding accountability. Mark Bartosh rescinded his motion. Eventually the situation will get settled. The HLWD has secured short-term financing. The landowners are saving money. Jackson County has denied the HLWD’s request for bonding. While there are no current plans for long-term financing, a plan is in place to move forward. There is a three-year window to figure this out. Eventually the situation will get settled.

8. **Pickup Repair**
   Catherine Wegehaupt explained the situation with pickup. It needs spark plugs and manifold gaskets. She got estimates from Graham Tire and Marthaler Ford. Truck is in good condition. The brakes were replaced a few years ago. That was done at Marthaler Ford. Oil changes are done at Graham Tire because they are less expensive. The pickup is her primary vehicle to drive for field work and meetings.

   Jim Buschena made a motion to replace the spark plugs. Bruce Leinen seconded this. Motion carried unanimously.

9. **Reports**
   **District Administrator**
   Jan Voit reported on the low interest loan program, Minnesota Association of Watershed Administrators meeting, Personnel Committee meeting, US Department of Commerce information request, Minnesota Center for Environmental Advocacy information request, Lakefield Standard interview, Lessard-Sams Outdoor Heritage Council funding recommendation and draft accomplishment plan, CD 3, LOC, construction project work session, Lawns to Legumes grant program, Drealan Kvilhaug Hoeffker & Company engagement letter, and cyber coverage.

   Harvey Kruger spoke about the upcoming Board of Water and Soil Resources meeting including action items of the Lawns to Legumes grant program and the Missouri River One Watershed, One Plan (1W1P). Discussion was held regarding the Missouri River and Watonwan 1W1P.

   Paul Fishel delivered the revised pay application for JD 19. The costs for change order 7 were removed. A new check will be issued in the amount of $249,833.09, which reflects a reduction of $11,015.25.

   **Watershed Technician**
   Catherine Wegehaupt provided an update on water sampling, 2018 water quality data from MPCA and water quality presentation, MDA grant, Schindler pond clean out, Dundee Rod and Gun Club, Murray County Water Plan Committee meeting, soil health planning meeting for the winter workshop, and the permit application for JB Brooke Properties. Wayne asked about funding from Nobles SWCD regarding the Seward 29 structure repair. Catherine has submitted all necessary paperwork and will follow up with the Nobles SWCD. Final funds should become available in December.
Further discussion was held regarding the 1W1P two-year funding cycles, how funding is determined, and the program's main goal of local entities working together. Discussion was also held about the grant funds for wellhead protection that were awarded to the cities of Adrian and Worthington.

10. Performance Review
Harvey Kruger made a motion to close the meeting to conduct performance reviews for the District Administrator and Watershed Technician. Jim Buschena seconded this. Motion carried unanimously. No employee requested that their performance review be conducted during an open meeting.

A closed meeting was held during which the managers reviewed the job performance, wages, and benefits for both employees. Wayne Rasche made a motion to allow Watershed Technician to work from home on Tuesdays and Thursdays from November to mid-March, as her schedule allows and based upon her workload. Bruce Leinen seconded this. Motion carried unanimously.

A summary of the managers’ conclusions relative to each employee’s performance was prepared and approved for presentation at the managers’ next open meeting. The closed meeting was tape recorded and the recording will be maintained as a HLWD record for three years. Jim Buschena made a motion to approve the summary of conclusions. Harvey Kruger seconded this. Motion carried unanimously.

Wayne Rasche made a motion to open the meeting. Jim Buschena seconded this. Motion carried unanimously.

11. 2020 Wages and Benefits
Bruce Leinen announced that the board was back in open session and requested a motion addressing the wages and benefits for the HLWD employees for 2020.

Harvey Kruger made a motion to increase wages for the Watershed Technician and District Administrator by four percent and approve family health insurance through the Minnesota Public Employees Insurance Program's Advantage Health Plan, which is Health Savings Account compatible. Wayne Rasche seconded this. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

12. Adjournment
The meeting adjourned at 9:31 p.m.

/Signature/ Harvey Kruger
Secretary