

**THESE MINUTES HAVE BEEN PROOF READ BUT NOT OFFICIALLY APPROVED**

**Little McDonald Kerbs Paul Lake Improvement District  
Annual Meeting  
July 11, 2015  
Perham Area Community Center**

Meeting called to order by President Roger Neitzke at 9:00 a.m.

Board members present: Roger Neitzke, Joe Esser, Bill Putnam, Sue Meyhuber, Glenn Schreier, Mark Plencner, Les Konley, Dan Gleason and Ardell Wiegandt.

Number of LID members present: 145.

Roger introduced several guests present, including Doug Huebsch, Otter Tail County Commissioner; Senator Bill Ingebrigtsen; and Representative Bud Nornes. Also present: Mike Opat of Moore Engineering; John Shockley, of Ohnstad Twichell, P.C., our advising attorney; and Pat Downs of Moore Engineering, our Project Coordinator/Administrator.

Senator Ingebrigtsen spoke, commenting particularly on how very impressive it was that such a large group from our lakes went to St Paul to attend the hearing of our bill requesting bonding, and complimented our having done an outstanding job of organizing the entire project. He's proud to have been a part of it.

Representative Bud Nornes spoke, saying this was the finest group he has had the opportunity to work with on such an issue. He pointed out we have come a long way from the starting point of the session, on which per House, Senate, and Governor, there would be no bonding bill at all. To have gotten through the session, and the special session, and have achieved a super majority in both houses in favor of the bill, was a great achievement. Instrumental were all the individual personal letters and emails; it was very impressive that there were so many, and they were not "canned." Bud also gave a nod to Speaker Curt Daudt, who was supportive all the way. Congratulations to all who participated, contributed funds, and were active in every way. Bud hopes to be able to attend the ribbon-cutting for this project, when it eventually is ready to run.

Roger introduced and thanked Doug Huebsch of the County Board, noting that the County Board has been consistently supportive of this project.

Thanks to Rep Nornes, and to Senator Ingebrigtsen. Again - credit goes to all those who worked together to get the project done. Roger gave special thanks to Angela Willenbring for saying "why not." Everyone gave us about a 5% chance of getting any help from the state, in the beginning.

Roger further mentioned Judy Lightowler, who pointed out numerous times that this is an area problem, not just a lake problem; that broader focus was important in our achieving support from so many stakeholders.

**Secretary's Report**, by Sue Meyhuber

- Thanks to Jeff Lohman: without his support the website wouldn't be what it is today. The URL is LMKP-LID.com. A lot of information has been posted since last year at this time.
- Motion to approve July 12, 2014 minutes: Moved by Judy Lightowler, seconded by Brian Hagen, motion passed.
- Motion to approve minutes of membership meeting held at the ITOW museum, November 1, 2014: Moved by Jeff Volk, seconded by Joan Covington, motion passed.

**Treasurer's Report**, by Bill Putnam

- All the information will be on the web page. The hardest thing to understand clearly is income. Without our line of credit, income only happens in June and early Nov, when assessments come

in from the county. We were able to stay away from the line of credit until December, when \$60,000 needed to be transferred in. Roger called for a motion to approve. So moved by Jeff Volk, seconded by Brian Hagen, motion passed.

- Review of 2015 expenses so far, Jan-June 30. The line of credit is now at \$340K, approximately. Will use assessments to pay for bills expected, for 429 process etc. A motion was called to approve this report; so moved by Chuck Faber; second by Jim McLeod, motion passed.
- Bill noted a general review of financial reports from 2013, 2014 and 2015 has been conducted by accountant Brad Helmeke and all are OK.

### **Old Business**

- Water quality remains good. We have had some slippage because of the amount of sloughing along the shorelines. Comment on the damage done by boat wakes, and the requirement that there is a 300' from shore no-wake zone on all our lakes. 300' is the length of a football field.
- Lake Levels
  - Little McDonald/Kerbs: Dave Wenzel: presently at +46" over OHW. The high so far this summer was on June 7, +49.5". There has been just under 12" rain since ice-out. We were very lucky only to have .25" increase over the winter.
    - 2014: +50.25" on Sept 9
    - 2013: +40"
    - 2012: July 7, +47"
    - 2011: Aug 2, +54.75"
  - Paul Lake: Erv Tolkinen: OHW is 1356.7' on Paul Lake. +4.58' (+54.96"), May 2015.
- Zebra mussel veligers were found in the fall of 2012 in Paul, Rusche, and Kerbs Lakes. All lakes have been negative since then. A minimum of five years must pass before a lake will be reassessed by the DNR. The presence of a filtering system does give a lot of comfort to downstream neighbors.
- Ditch 25: We still have the right to use Ditch 25. The board will need to decide soon if we wish to maintain those rights, since the planned improvements to it and the assessments for its costs will accrue to us too, if we don't decide to petition to get out of that. This is not a difficult process, but will have to be attended to.
- Devils Lake Improvement District (DLD): We still have some things to work out with DLD. Roger asked if the membership still wants to require a full membership meeting before allowing the board to work with Devil's Lake. Bob Meyhuber moved that we rescind the motion passed in November, requiring such a membership meeting, Garry Griffin second.

Discussion: Is DLD interested in being part of this? Answer, yes - there is grant money for them also. Question: their membership still has a vote to come. Answer: We can't speak for them of course, but the LMKP-LID board would like the freedom to meet with them and work with them without having to call for a meeting of the full membership.

The motion was called, and passed.

### **New Business**

- Election of Officers
  - Nominations were invited from the floor, but none was offered. Les Konley, Joe Esser and Jim Nigg were on the ballot, Marianne Anderson moved we accept the slate. Jim McLeod second, motion passed.
- Project Coordinator
  - Introduced Pat Downs of Moore Engineering. He coordinates meetings and communications between all the stakeholders - county, DNR, board, state, etc. – and keeps an eye on the progress of all necessary reports and other actions that must be

pursued to keep the project moving ahead expeditiously. Pat said it's been pretty exciting, and his phone is always buzzing.

- State Bond Funding
  - We were victorious: \$10 million, with no local match required: this is fabulous news, and extremely rare. All of this was made possible by the dedication of Angela Willenbring, to whom great thanks are given. The public relations campaign, including all the efforts of which we are all aware, was critical to our success, as was the fact that we could show we had already spent a good deal of our own money on research and engineering, over the course of years, to keep this project moving forward.
  - Approximately \$7.3 million apportioned to LMKP LID, and \$2.7 million to DLD. These funds are controlled by DNR; the county and the LIDs will enter into agreement with DNR.
  - Eligible expenses for grant purposes include construction and engineering costs, right of way acquisition, and permitting costs.
  - Ineligible expenses are investments made to date, including project development and engineering, and the EAW study.
  - The money becomes available on the date the DNR and County sign an agreement, which may happen around mid to late August. A sub-agreement between the LIDs and the County is pending, and its passage is required before the prime agreement to be signed. (This is the printed resolution that was handed out at the registration table; voted on later in the meeting.) Funds will then be released as the project proceeds, and must be used by 2020.
- Project Update - Mike Opat from Moore Engineering reported on the project.
  - Plan is to transfer water up and over the hill, along 385th Ave.
  - Water collection and filtration: Filtration is necessary.
  - The type of filter proposed, a horizontal drain filter, is used around the world and all around the Great Lakes, where there are zebra mussels, and it has been proven effective; it has the approval of the DNR. The proposed location is on the east end of Little McDonald. The plan is to dig down 12-15' and use the natural lake bed as the filter. It's capable of transferring a lot of water, but it's also capable of filtering any tiny veligers that could be there.
  - 100' hill to get over. 25cfs system. 30" diameter PVC pipe. Discharges into tributary of the Otter Tail River downstream of Long Lake. Working with landowners to minimize disturbances to properties.
  - Key point: Common leg shared by both LIDs. DLD would connect in (with filtered water) to the point where the pumping system begins.
  - Pump station: picture shown of an example. A building housing the equipment will dampen noise and protect equipment: two 250HP pumps.
  - Operation: electricity costs at standard rate, \$25K/mo. Off-peak, \$16,500/mo.
  - Likely won't be able to operate more than 8-9 months a year. When levels are lower, won't have to pump as much. Therefore operational costs for electricity will fluctuate.
  - Paul Lake connection: currently water is flowing to Rusche and from there finding its way to Little McDonald. Due to a lot of bluff erosion around Paul Lake, the engineers are considering improving the present path of the water, rather than boring a line.
  - Estimated Project Cost
    - About \$8M, on the high side. This figure includes contingencies such as cost overruns or increases in case we can't start this year. All efforts will be made to keep costs within that \$7.3M we're allotted, although we may face some expenses between now and when the grant money is released.
  - Downstream Water Levels
    - Have worked with a lot of neighbors downstream to get the message out that we won't hurt them. 25 cfs results in minimal increase in water levels downstream. Flows stop when downstream levels are high. Decisions will be made by the county, based on gauges downstream. Freeboard "cushion" included. History suggests operation should be possible for 8-9 months a year. Otter Tail County will operate the pumps.

- Water Quality: The water we're sending out will be much better than what exists in the Otter Tail River system.
- Permitting in Progress:
  - EAW submitted in January. County determined EIS not necessary
  - State Permits: DNR
  - Local Permits: Otter Tail County zoning and conditional use permit
  - Federal permits - working on those now too
- Next Steps
  - Preliminary Design (July)
  - Permit Applications (July)
  - Finalize State Bonding Agreements (August)
  - Right of Way Acquisition (August-September)
  - Final Design (September)
  - Chapter 429 Assessment Process (September)
  - Bids can be accepted as soon as permits and ROW are secured
  - Construction: possibly start this fall; more likely 2016
  - Operation: depends on when project starts and what happens as it proceeds.
  - Jumping through hoops as fast as possible, but need to do things right too, so patience may be required.
- Paul Lake outlet to Little McDonald will be controlled. Chuck Faber asked if homes will be affected on south side of Little McDonald: Answer: No. The thought is to bore through the hill so the connection is aligned with a lot line. This may require some property acquisition, but that's not certain at this point. There would be no pumps; this portion would be gravity-fed.
- Roger asked that any further questions be held since we need to introduce John Shockley, who will be helping with the 429 (special assessment) process.
- 429 Special Assessment Process
  - Roger introduced Mark Plencner, leader of the Special Assessment Committee, the "429 committee". Committee members include Sue Meyhuber, Bill Putnam, Glenn Schreier and Mark Plencner.
  - Mark reported that their responsibility was to establish a methodology for parcel assessment; to that end, they met with John Shockley for advice, and got data from the county on lot elevations, frontage, etc.
  - Assessments will be based on several aspects of any properties characteristics.
    - Tier 1 - Direct Benefit (35%)
      - 20% Building Elevation
      - 15% on Front Footage (capped at 250')
    - Tier 2 - Average Height of Parcel (30%)
    - Tier 3 - Overall Benefit to LID (35%)
  - Estimated costs per parcel run from a minimum of \$13,000 to a max of \$30,000, based on \$7M cost figure. But because of the bonding bill, this will be a lot less. There will still be costs because ineligible costs have been incurred. A guess is \$1,900 - \$4,300 per parcel, at present. We don't have data about costs at this time.
  - Procedure for final decisions on assessments:
    - Project hearing in Sept where the board will report a maximum cost for the overall project
    - LID Board must authorize project
    - Assessment hearing held at a later date, possibly after construction started
    - Costs exceeding grant amount and ineligible expenses would be assessed
      - John Shockley: In spite of the grant, will still need to proceed with the 429 process, because there will still be some costs, though they will be considerably reduced.
    - Mail notice of the September hearing will be sent, and it will be posted in the paper as well. The LID Board will be required to present its methodology, and how it was arrived at; and the nature and scope of the project (a feasibility report to be presented by engineers). It is a public hearing, so people can come and

ask questions about the project, and about the amounts to be assessed against the properties.

- The Board only gets this one chance to set the ceiling; the number can go down, it just can't go up. Don't be too concerned about the number in the notice; the board is being conservative to make sure the costs can be covered.
- The LID Board must make final decision to proceed, and enter into contracts.
- When the project is complete, or near completion, an assessment hearing will be held during which each property will be assigned a real number. The board can spread those assessments over a certain number of years. Once the number is assessed, the property owner can either pay it all up front, or pay an annual assessment.
  - Question: Does this methodology cover operating costs? Typically, assessment hearing is about construction costs only. The Board may want to discuss whether one or two years of operating costs should be part of it, and make other decisions about operating costs in future years.
  - Question: Why don't we do an equal assessment and keep it simple. Answer: When we started this process, costs could have been very high for a property that wasn't worth that amount, and properties do vary. Methodology needs to be defensible, and based upon prior cases. At the end of the day, it needs to be fair and to take into account a variety of factors. Further, according to MN law, no assessment can exceed the benefit of the property.
  - Question: What about Devils Lake? Answer: Devil's Lake's assessments and expenses are solely their responsibility, and they'll have to decide that.
  - Question: It's an area problem, but nobody else other than the people on the lake will be assessed? Answer: There are a few properties outside the LID that will be benefitted. But only the LID membership can be assessed. A lot of time was spent on this question, but there is no practical way to ask others to participate in paying these costs. Thankfully, the grant will help us considerably.
  - Question: the \$8M cost - what does that cover? Answer: Everything - fees, permits, etc, plus a 10% contingency fee.
  - Question: What happens to the project once we get to OHW? Answer: We won't run the pumps one bit more than we have to, if the water gets there. We will have to decide, as it goes down, where we want to stop it. We're only dealing with our LID - that needs to be quite clear.
- Proposed 2015-2016 Budget
  - Budget does have some mention of pumping costs, but we can't be sure whether that will be needed. Also, there are some costs associated with ongoing LID general operations.
  - Estimates were arrived at by working with engineers. Pat Downs: Best case (pumps run 24/7 365 in 2016) is worst case for costs of course. It is highly unlikely we'll pump any water starting in January, though the estimates were based on that startup time, and the budget includes costs for 12 months of operation. Pat believes we'll know closer in the next 45 days what the operating costs might be in 2016; this number can go down, but it won't go up. The Board must submit a budget to county by August 1. There will be time for it to be refined a little later.
    - Question: How long will it take to get the water down? Roger: best estimates 2-4 years. But there's a lot we don't know: rainfall rates to come, refill rates, drought or high rainfall. What we're looking at in the budget is worst case scenario. Board guarantees that they're not going to spend a nickel more than necessary. But at this point, there are just a lot of unknowns, and the LID needs to have enough money to pay whatever bills might come in.
    - Roger: The Board's normal expenses per year are about \$21,200.

- Doug Christoffersen moved approval of the proposed budget, seconded by Gary Mills 2<sup>nd</sup>, motion passed.
- Resolution for the County
  - We got a grant that will cover the majority of the cost, and we should celebrate that! But if we want to get any of the money, we need to sign an agreement with the County. This is on the handout. The LID needs to commit to seeing the project through completion, including any expenses that are above those that the grant covers. Joan Covington moved approval of the resolution. Seconded by Trudy Swanson, motion passed.

Thanks to outgoing secretary, Sue Meyhuber, who has done an outstanding job during her tenure as LID Secretary.

Meeting adjourned at 10:54

Sue Meyhuber, Secretary  
Joan Covington