

Governance Committee Meeting

August 4, 2023 9:00 am

Virtual meeting via Zoom

Present:

Managers: David Ziegler, President
Tom Duevel, Vice President

Staff: Terry Jeffery, District Administrator
Louis Smith, Attorney, Smith Partners
Amy Bakkum, Office Administrator

1. Call to Order

President Ziegler called the governance committee meeting to order at 9:00 am.

2. Attendance

President Ziegler, Manager Duevel, Administrator Jeffery, Attorney Smith, and Office Administrator Bakkum were present. It was noted that the committee was meeting via Zoom due to the COVID-19 pandemic.

3. Approval of the agenda

A tentative agenda was shared onscreen. Manager Duevel stated he had a few questions that he would like addressed in today's meeting. Manager Duevel moved to approve the agenda, and President Ziegler seconded. Discussing the motion, Manager Duevel clarified that he had four or five questions relating to the general governance of the watershed that could go under New Business. President Ziegler and Manager Duevel voted yes to approve the amended agenda. Motion passed 2-0.

4. Reading and approval of minutes of last meeting

President Ziegler moved to accept the minutes of the last meeting to which Manager Duevel seconded. Motion to accept minutes of the last meeting passed 2-0.

5. New Business

5.1 Open Discussion re: general governance

Manager Duevel began by asking about the roles of the managers versus staff and how those fit in the functioning of the watershed. He continued with a question regarding the potential switch to 1099s for manager per diems and whether it was necessary to evaluate another manager's position that the IRS had provided black and white guidance to the contrary. Manager Duevel also asked whether making changes to the 4M fund investments require some

additional authorization beyond minutes of the discussion with the treasurer and Counsel Smith. Lastly, Manager Duevel asked whether challenges that are made during regular meetings which seem to imply that the watershed is operating illegally contain any substance.

First, Attorney Smith stated that the well-established best practice is that the Board engages in broad policy direction and strategic direction for the district and the administrator manages staff and implements board direction. Manager Duevel commented that he feels as if it is the opposite, such that staff and other board members are responding to minutiae that is not material for a board meeting which makes the board meetings inordinately long. Attorney Smith noted that this concern has attempted to be addressed by encouraging managers to send their questions to the administrator rather than take meeting time for individual questions. Administrator Jeffery noted that a PRAP grant is one option, and another is for the managers to challenge any misinformation. President Ziegler stated that he feels the managers speak with their vote and that he tries to get input from all managers. Manager Duevel commented that President Ziegler does a great job of this and that the managers need to continue to push to call the question to get discussions back on track.

Next, the discussion moved to questions surrounding whether 1099s or W-2s should be used for manager per diems. Administrator Jeffery shared onscreen a document that was provided by Manager Koch which described tax withholding for government workers. Administrator Jeffery noted he would share it with Attorney Smith and the committee to review. Administrator Jeffery shared that, according to Minnesota Watersheds, about one third (of watershed districts in the state) use 1099s, and two thirds of watershed districts utilize W-2s. He stated that six of the top fifteen largest watershed districts use 1099s. There was discussion regarding the “grayness” of tax regulations and Manager Duevel spoke to his experience in public accounting. Administrator Jeffery stated that he would modify the current resolution and Manager Duevel noted that he would support him. President Ziegler expressed his support of having Attorney Smith and his experts look at the document and provide guidance. Administrator Jeffery wondered whether the district could get an opinion from the state attorneys general and Attorney Smith noted that the Attorney General would be unlikely to offer an opinion on IRS regulations and that an official IRS ruling on the matter would be unlikely as well.

Next, the committee turned to questions regarding the 4M investments. Manager Duevel raised questions about the administrator’s ability to move funds and how those choices are made. Discussion followed regarding past and current practices. It was noted that the 4M fund documents all investments and that the Audit and Finance committee can have input.

Lastly, Manager Duevel asked about objections that are raised during meeting regarding the legality of how the watershed is operating. Attorney Smith noted that during meetings, President Ziegler looks to counsel to affirm that the district’s process is sound and when corrections need to be made to process, they are made.

6. Old Business

6.1 Governance manual review

The items left were the financial policies that the Audit and Finance committee will review. Administrator Jeffery commented that the Audit and Finance committee would likely have at least two months of work to do to get through them. There was discussion that in order to dig into the policies and get them right, it may take longer. Administrator Jeffery suggested that the Governance committee could present their changes and follow up on the financial areas once the Audit and Finance committee has recommendations. There was discussion about the timing of any new financial policies with the new fiscal year. There was further discussion about the potential timeline of the presentation of the draft manual, comment period, and eventual adoption. It was determined that the next governance committee meeting would contain a review of the governance committee's proposed draft manual (minus the financial policies) before it went to the full board at the September workshop.

7. Adjournment/Continuance

The meeting was adjourned at 10:06 am.