

MEETING MINUTES

Riley-Purgatory-Bluff Creek Watershed District

February 16, 2023, RPBCWD Board of Managers Regular Workshop

PRESENT:

Managers: Jill Crafton, Treasurer
Tom Duevel, Vice President
Larry Koch
David Ziegler, President

Staff: Amy Bakkum, Administrative Assistant
Liz Forbes, Communications Manager
Terry Jeffery, District Administrator
Louis Smith, Attorney, Smith Partners
Scott Sobiech, Engineer, Barr Engineering Company

Note: the Board workshop was held remotely via meeting platform Zoom because it was deemed not prudent to meet in person due to the COVID-19 pandemic.

1. Call to Order

1 President David Ziegler called the Board workshop to order at 7:03 p.m. He said pursuant to
2 Minnesota Statute 13D.021, the RPBCWD Board President has determined that because of
3 the Covid-19 pandemic it is not prudent for the Board of Managers to meet in person, so the
4 RPBCWD is conducting this meeting via Zoom.

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6 Mr. Louis Smith called roll.

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<i>Manager</i>	<i>Action</i>
Crafton	Present
Duevel	Yes/Present
Koch	Present
Pedersen	Absent
Ziegler	Present

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2. Approval of Agenda

10 Administrator Terry Jeffery noted the updated meeting agenda includes only two items:
 11 Presentation of 2022 Year-End Budget and Update on 5-Year Review of the District's 10-
 12 Year Plan Capital Program Chapter 9, and they will be discussed together as they are
 13 interrelated.

14 Manager Koch moved to approve the agenda. Manager Crafton seconded the motion. Upon a
 15 roll call vote, the motion carried 4-0 as follows:

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<i>Manager</i>	<i>Action</i>
Crafton	Yes
Duevel	Yes
Koch	Yes
Pedersen	Absent
Ziegler	Yes

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3. Presentation: 2022 Year-End Budget/Financial Report and 5-Year Review of District's 10-Year Plan, Chapter 9 Status

18 Administrator Jeffery shared the PowerPoint presentation "2022 Year End Budget and 50%
 19 Review of 10-Year Plan." He said the information summarizes where the District ended
 20 with its 2022 budget and reviews what is, in essence, Chapter 9 of the District's 10-Year
 21 Plan, which is the District's capital projects. Administrator Jeffery said the District's Audit
 22 and Finance Committee recently met to talk through this information.

23 Administrator Jeffery summarized the District's adaptive management strategy, which
 24 comprises the District collecting data, interpreting the data, identifying water quality
 25 improvement solutions based on the science, and then prioritizing and implementing
 26 projects working from upstream to downstream and taking advantage of partnerships.

27 Administrator Jeffery displayed the Chapter 9 table in the District's 2017-adopted
 28 Watershed Management Plan. He said the District developed a prioritization matrix to
 29 identify and rank projects. He explained the estimated levy column in the table is the
 30 projected total cost per project whereas the estimated levy in the District's annual budget
 31 reflects that year's levy per project.

32 Administrator Jeffery went through the projects in the table and the February 2023
 33 Treasurer's Report in detail, describing per project the estimated project costs, which is the
 34 estimated levy, anticipated completion, and dollars spent to date.

35 Mr. Sobiech pointed out some of the levy numbers displayed only reflect funds levied in
36 2018 and forward and does not reflect dollars levied prior to this 10-Year Plan going into
37 place. He said for example the Lower Riley Creek project additional funds were levied
38 before this plan was in place and he thinks that is also true for the Lake Susan Park Pond
39 project.

40 Manager Koch asked regarding the table if the projects are all completed. Administrator
41 Jeffery said the ones not shaded are not completed and instead are either in progress or not
42 in process. He reviewed the status of the listed projects. Manager Koch asked if the table
43 could be revised to include the status of the projects by indicating which projects are done
44 and which projects are in progress and at what percentage of completion. Administrator
45 Jeffery said yes.

46 Manager Koch asked if the table could be revised so that in the column labeled anticipated
47 completion, the projects not started could have the anticipated start year listed.
48 Administrator Jeffery said yes.

49 Manager Duevel asked about unspent levied funds. Administrator Jeffery responded that if
50 the District has money that was levied and not spent, those funds are used at the end of the
51 year to balance out and start new projects or are put into the District's reserves.
52 Administrator Jeffery said the District has \$1.1 million surplus this year.

53 Administrator Jeffery talked about the project BT3, the project off Audubon Road at the
54 Chanhassen-Chaska border. Mr. Sobiech noted project BT3 had been fully levied before the
55 District's 10-Year Plan went into effect, which is why further funds were not levied for it.

56 Administrator Jeffery stated the District in 2022 took in significantly more revenue than
57 anticipated. He said some of that is from the District moving to 4M and having one full
58 quarter invested through 4M. Administrator Jeffery said the District had \$82,000 more in
59 permit revenue than anticipated and more grant income than anticipated.

60 Administrator Jeffery said the District's adopted 2023 budget is \$7.23 million, which is
61 seven-tenths of one percent of an increase, and \$3.8 million levy, which is a 5% increase.

62 Administrator Jeffery went through the District's 2022 budget for Administrative Costs. He
63 pointed out the table's column listing projected end of year remaining, which is what the
64 District anticipated having left over in each of the budget line items. He said the District has
65 \$309,000 left over in the administrative costs budget. Administrator Jeffery said the bulk of
66 those funds are from unexpended staffing costs. He said some positions were not filled after
67 staff left, and new hires were often at a reduced wage and benefit level. He said the District
68 only hired two interns in 2022 and they worked fewer weeks than in previous years.
69 Administrator Jeffery noted the contract role only worked four months out of the twelve
70 months budgeted due to the contractor moving to Montana. Manager Crafton mentioned the
71 Board had put a freeze on staff salaries as well.

72 Administrator Jeffery said the adopted levy and budget is corrected to meet what the District
73 had for a budget and a levy. Administrator Jeffery said the Board and staff need to talk
74 about where to move the excess funds and his thought is to move the funds into reserves.

75 Administrator Jeffery talked about the budget for the District-wide programs. He noted the
76 Board authorized moving \$49,000 out of the Ground Water Conservation item to offset
77 costs of Middle Riley Creek, and the transfer is reflected in the revised budget. He said the
78 District's 2022 projected year-end District-wide programs budget remaining was \$583,000
79 and the actual year-end remaining is \$956,300. Administrator Jeffery listed budget items
80 that contributed to the overage, including \$150,000 from the Repair and Maintenance Fund
81 and other sources of overage such as no Ground Water Conservation project and no
82 opportunity projects were done.

83 Administrator Jeffery explained the Lower Minnesota Chloride project was 100% grant
84 dollars and not part of the District's levy, so that \$114,000 will return to the state and the
85 District will need to amend its budget to reflect that change. He explained the funds were
86 not fully spent because not enough participants could be found – only \$81,000 worth of
87 participation occurred.

88 Administrator Jeffery pointed out the figure listed as \$90,000 in Hennepin County Chloride
89 Initiative should be listed as \$105,000, which is what is listed in eLink for the award.
90 Manager Koch asked for clarification if Administrator Jeffery is saying the District does not
91 have an overspend on the Hennepin County Chloride Initiative. Administrator Jeffery said
92 correct. Manager Koch asked if the District has been paid the \$105,000 or it is yet to be
93 paid. Administrator Jeffery said BWSR will be paying it but has not yet awarded it and will
94 also be paying the District the \$80,000 the District spent on the Lower Minnesota Chloride
95 project. Manager Koch asked if those two amounts are reflected in the balance sheet item
96 labeled "funds due from government." Administrator Jeffery said yes.

97 Manager Koch asked about the line item labeled "unearned revenue." He suggested staff ask
98 the accountants what that is. Administrator Jeffery said he will ask.

99 Manager Koch said the District will have \$250,000 in extra cash once those funds from the
100 government come in. Administrator Jeffery said yes. Administrator Jeffery said he would
101 like the Audit and Finance Committee to discuss at its next meeting what to do with those
102 funds. Administrator Jeffery said it may impact the District's revenue projection for 2023
103 interest earned, but likely in a positive way.

104 Manager Duevel suggested the District reconcile its budget one time - at the end of the year.
105 Administrator Jeffery said the timing is at the pleasure of the Board. He said at the end of
106 the year would be good timing and would allow the District to look at an accurate picture of
107 the year's costs.

108 Manager Koch commented his understanding is the District, once it approves its levy and
109 budget, is locked into spending that amount or less. He said he has proposed adjustments
110 when the District has huge numbers in order to make sure the District does not end up
111 overspending what is authorized. Manager Koch said with his private clients they often
112 come up with revised budgets because often revenues change and sometimes expenses
113 change, and they make adjustments along the way, often quarterly. He said that is why he
114 suggested the District reconciles its budget over the course of the year regarding these large
115 numbers, so the District does not overspend its authorization.

116 Manager Koch asked if the numbers for 2023 have been adjusted to account for inflation.
117 Administrator Jeffery there has been some consideration of inflation reflected in the tabs in
118 the spreadsheet by using the Mortenson Inflation Projections.

119 Administrator Jeffery noted St. Hubert owes the District \$35,000 yet, which will be
120 additional revenue coming in to the District. Manager Koch asked if the District will be
121 carrying that as a receivable on its balance sheet and if the District has one, or two, or three
122 years of revenue coming in from St. Hubert. Administrator Jeffery said that is a good
123 question and he will find out.

124 Manager Koch commented he thinks that regarding the amount of money the District has
125 pledged to pay Eden Prairie toward the Duck Lake bridge, staff and the Audit and Finance
126 Committee should ask the accountant and auditor if those funds should be listed as a long-
127 term obligation.

128 Administrator Jeffery said regarding the Lotus Lake watershed improvement project, he
129 anticipates the numbers changing significantly. He talked about the goal of partnering with
130 the City of Chanhassen. He said Barr Engineering is developing a concept plan and staff
131 will bring the topic to the Board in April to discuss. Mr. Sobiech said Barr will bring the
132 final report to the Board this summer. He said one of the final pieces of information needed
133 is the soil infiltration test results to know if infiltration is feasible.

134 Administrator Jeffery summarized that \$1.12 million budgeted for last year was not spent
135 last year. He reported there is \$110,000 in additional revenues brought in from investments,
136 grant dollars, and permit income. Administrator Jeffery said the question that comes
137 forward, and for discussion at the Audit and Finance Committee, is what to do with those
138 funds. He said his recommendation is to put the funds into the District's reserves.

139 President Ziegler said adjusting monthly does not seem feasible. He suggested the Audit and
140 Finance Committee make a recommendation on a process based on historically how much
141 the District has had to move and what the risks are. Administrator Jeffery said he and
142 Engineer Sobiech had a conversation about this. Administrator Jeffery said his suggestion is
143 working with the Audit and Finance Committee to come up with an easily updatable Table 2
144 that the Board and staff can review quarterly, and the Board can decide at the time whether
145 it wants to make adjustments.

146 Manager Koch said his concern has been focused on making sure the District does not
147 spend more money than what is approved. Manager Koch said regarding the spreadsheet, he
148 suggests adding tabs "current year" and "year-to-date" instead of having the Table 2. He
149 said he would also like to know for each project what percent of the project is complete.

150 Manager Duevel asked why the District would analyze and make a budget adjustment for
151 one project during the year instead of doing the same for every project. Administrator
152 Jeffery agreed that at some point throughout the year, whether at the end of the year or when
153 the next year's draft budget comes forward, the numbers have to be adjusted to reflect what
154 was spent or not spent. Manager Duevel said he does not understand why the District would

155 in the middle of the year make adjustments to just one or some of the projects instead of all
156 of the projects.

157 Manager Koch said based on his understanding, during the time he has been a manager, for
158 the items the District has spent more money than budgeted, adjustments were made to take
159 money from areas where the District did not think it would spend that amount of money and
160 have a revised budget and add those funds to it, to make sure the District does not overspend
161 because it is illegal for the District to overspend.

162 Manager Duevel asked why the District would do that in the middle of the year instead of at
163 the end of the year, when the District is looking at all of the projects. Manager Duevel said
164 the fundamental question is what the District's budget is doing from a management point of
165 view. He said is the District's budget an annual budget or a monthly budget.

166 Manager Crafton responded her take is that what the District sets in terms of what the
167 cannot be increased, but what managers and staff look at is the total number for the whole
168 budget and whether that total number is in line.

169 Manager Crafton commented she thinks it is it more helpful to look at the differences at the
170 end of the year, regarding budget and actual. Manager Crafton said when putting the budget
171 together, the District puts it together using the best information staff has, such as feasibility
172 studies and information on grants and partner funds. She said she thinks this is an annual
173 budget and adjustments should be made at the end of the year.

174 Manager Duevel said unless the Board and staff go back to look at each month, it seems like
175 the protocol should be the adjustments are made at one time, at the end of the year because
176 it looks at the whole year. Manager Crafton said she agrees with Manager Duevel.

177 Manager Koch commented about the District's reserve funds and making the funds transfer
178 mid-year for the Middle Riley Creek Project. He said summarized adjustments were made
179 so the District would know it does not have as much money to spend on those line items as
180 originally budgeted. He said it helps the District know if it is going to spend more on one
181 line item, then it needs to spend less on another one. Manager Koch said with the
182 adjustments made, the managers and staff knew exactly where the budget was at by looking
183 at the spreadsheet.

184 Administrator Jeffery reminded the Board regarding the project Manager Koch mentioned,
185 the District had not levied for it because it was going to be done at a later date, and the
186 District had levied for the section of Purgatory Creek by Staring Lake on Bent Creek Golf
187 Course. Administrator Jeffery said that levy was not adequate to cover the Middle Riley
188 Creek and there were expenses being incurred, so it was substantial and a unique situation.

189 President Ziegler said he hopes the Audit and Finance Committee will come back to the
190 Board and staff with a recommendation. Manager Duevel said he and Manager Crafton have
191 taken notes and will coordinate with the accountant and auditor and will come back to the
192 Board with a recommendation. The managers indicated consent for the Committee to bring
193 a recommendation back to the Board.

194 Manager Koch said to his knowledge it is not a written District policy but the District’s goal
195 has been to have a certain amount of cash at end of year to at least cover one-half of the levy
196 because the second part of the levy comes in so late in the year. He suggested the Audit and
197 Finance Committee discuss the District’s net year-end funds and if the amount is enough to
198 cover the amount of the year’s second-half incoming levy payment.

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4. Adjournment

200 Manager Koch moved to adjourn the workshop. Manager Crafton seconded the motion. Upon a
201 roll call vote, the motion carried 4-0 as follows:

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<i>Manager</i>	<i>Action</i>
Crafton	Yes
Duevel	Yes
Koch	Yes
Pedersen	Absent
Ziegler	Yes

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204 The workshop adjourned at 8:45 p.m.

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Respectfully submitted,

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Tom Duevel, Vice President

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