

Red River Watershed Management Board

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Board of Managers

John Finney-Humboldt Farrell Erickson-Badger Harley Younggren, Secretary-Hallock Ron Osowski, Chairman-Oslo Vernon Johnson-Clearbrook Daniel Wilkens, Treasurer-Fertile Robert Wright-Felton Curtis Nelson-Barnesville Jerome Deal-Wheaton Don Ogaard, Executive Director-Ada

RED RIVER WATERSHED MANAGEMENT BOARD MEETING

September 14, 1999

Red Lake Watershed District, Thief River Falls, Minnesota

The RRWMB met on Tuesday, September 14, 1999, at the Red Lake Watershed District Office, Thief River Falls, Minnesota.

Chairman Ron Osowski called the meeting to order.

Members present were:

John Finney	Farrell Erickson
Harley Younggren	Vernon Johnson
Daniel Wilkens	Nathan Redland
Curtis Nelson	Jerome Deal

Others present were:

- Don Ogaard, Executive Director
- Naomi Jagol, Administrative Assistant, Sand Hill River WD
- George Dailey, Red Lake WD
- Chuck Fritz, Administrator, Red Lake WD
- Ron Adrian, Engineer, Middle River-Snake River WD
- Jon Roeschlein, Administrator, Bois de Sioux WD
- Arlene Novak, Red Lake WD
- Erik Jones, Engineer, Houston Engineering
- Brian Dwight, Board of Water & Soil Resources
- Loren Sanderson, Engineer, Red Lake WD
- Richard Nelson, Mayor of Warren

Vernon Johnson requested that discussion regarding the Parnell Impoundment be added to the agenda.

The minutes of the August 17, 1999 meeting were read and approved with minor corrections. **Motion** to approve the minutes as written by Manager Wilkens, **Seconded** by Manager Deal, **Carried**.

The Treasurer's report was presented and it was approved as read. **Motion** by Manager Finney, **Seconded** by Manager Deal, **Carried**. Manager Nelson inquired about the expenses incurred by the RRWMB as a result of the Technical Advisory Committee (TAC). Manager Wilkens responded that these expenses are included with the other expenses included in the "Professional Services" section.

Ogaard reviewed the monthly bills received. A **Motion** to approve and pay bills by Manager Nelson, **Seconded** by Manager Finney, **Carried**. For further reference, copies of the bills approved are attached hereto in the Treasurer's Report.

Proposed “Logo”

Manager Wilkens requested that the issue of updating the RRWMB logo be tabled until next month since due to scheduling conflicts, the committee was unable to meet to discuss this issue.

Parnell Impoundment/Red Lake WD – Chuck Fritz

Fritz explained that on October 12, 1998, Bob Beduhn, HDR Engineering, requested approval of cost overruns regarding the Parnell Impoundment Project. He stated that project was estimated to cost slightly less than \$3 million to complete. He added that approval had been obtained from the RRWMB for cost share of 85% of the total project cost.

Fritz stated that approximately \$2,435,000 had been received from the RRWMB to date for funding, however, in order to recognize the cost overrun, an additional \$84,000 remains to be forwarded from the RRMWB. He added that in the RRWMB’s Annual Report, the RRWMB’s cost share of 85% was listed at \$50,000 less than the actual amount.

Fritz added that when the Parnell Impoundment Project is actually closed, the total cost of the project would exceed \$3 million. He noted that in addition to the cost overrun of \$592,000, an additional \$55,529 would be added to the amount which represent the interest charged to the project by the Red Lake WD.

Fritz explained that an operating plan is being developed by HDR Engineering, with assistance from JOR Engineering. He stated that the operating plan would address operation in order to recognize mainstem benefits.

Manager Erickson inquired on the percentage of cost overrun. Fritz responded that when the cost overrun was previously discussed with the RRWMB last fall, the overrun was estimated at nearly \$600,000 when, in fact, it should have been \$655,000 in actual overrun costs.

Ogaard referred to the Project Evaluation Manual which states that should cost overruns be anticipated with a project, the project must be reviewed by the RRWMB prior to them being incurred.

Fritz noted that two issues need to be clarified with regard to the project. The first issue relates to whether the \$84,000 listed in the Annual Report is the correct amount remaining to be forwarded from the RRWMB for the cost share percentage and, secondly, approval for the additional \$55,529 for interest expense needs to be obtained. He stated that a total of \$132,233.83 remains from the billing to the RRWMB, which would bring the RRWMB cost share to 85% of the total project cost.

Manager Wilkens inquired whether the original motion included a limitation on funding 85% to a certain amount.

Ogaard inquired whether the \$55,529 of interest expense was an internal accounting procedure. Novak explained that the total cost of the project following completion would be \$3,032,000 which would include an internal interest charge of \$55,529.

Ogaard stated that he had discussed the project with Bob Beduhn, HDR Engineering, and Lowell Enerson, previous Administrator of the Red Lake WD and noted his concern over the large cost overrun. Manager Johnson explained that the amount estimated for construction came in at 28% higher during the bidding process but was within the legal amount of being less than 30% higher than the estimated amount.

Adrian inquired whether the erosion damage that occurred on parts of the embankment had been repaired. Fritz responded that some damage had occurred on the embankment, however, vegetation has begun to grow which should help alleviate the problem.

Ogaard stated that the issue of miscommunication is a great concern. Fritz agreed that the problems encountered with the project would be avoided in the future.

Manager Osowski inquired on the discrepancies referred to in the Annual Report. Ogaard responded that he would discuss this issue with Dan Thul.

Fritz explained that should the RRWMB approve to fund the cost overrun, the 85% cost share would be \$84,785.98. In addition, 85% of \$55,529 interest expense would be added to this amount.

Fritz stated that a portion of the overrun occurred due to the land acquisition conducted by the engineers at \$120.00 per hour plus mileage from Minneapolis, MN. Manager Wilkens noted that engineers should not be conducting the land acquisitions.

Ogaard requested Fritz to itemize the cost overrun. Fritz stated that the cost overrun could be accounted for as follows: (1) Engineering \$548,665, (2) Construction \$260,000, (3) Land acquisition \$57,000, (4) Overhead \$87,000, and (5) Interest \$82,000.

Ogaard noted his concern over the interest expense being charged to the project. Novak explained that the internal interest expense represents one fund borrowing from another to pay for the project.

Ogaard explained that the construction account was designed to pay for project costs and that charging internal interest to this account is not a legitimate practice. Manager Johnson explained that some watershed districts apply for advances on projects in order to avoid utilizing their internal funds, however, the Red Lake WD utilized internal funds for project costs and then sought reimbursement.

Novak stated that both the construction and administrative accounts were borrowed against in anticipation of receiving the 85% cost share from the RRWMB. Manager Osowski noted his concern about charging interest to the construction account since this account was intended for constructing projects.

Roeschlein explained that the Red Lake WD borrowed from their construction fund in order to pay for construction costs and the interest expense represents the money lost in waiting for the RRWMB funds. Novak added that counties operate under a similar situation when they borrow from one ditch system and charge interest to other ditch systems.

Manager Wilkens stated that usually the individual districts submit pay requests from the RRWMB so they know the funds are forthcoming. Manager Deal concurred that timely pay requests should have been forwarded to the RRWMB for payment. Ogaard agreed that monthly billings are the normal procedures that should be followed.

Manager Finney suggested that the RRWMB develop a committee to review the cost overruns prior to their approval. Fritz noted that he would provide copies of the cost overruns to the RRWMB for review.

Manager Deal inquired whether the operating plan had been finalized. Fritz stated that it is currently being developed. Manager Osowski suggested waiting to review the cost overruns until the operating plan has been finalized and reviewed by the RRWMB.

Ogaard stated that the monthly billings submitted by the Red Lake WD should be reviewed to determine whether they were paid in a timely manner. He noted his concern regarding the interest expense that is being charged to the project.

Novak explained that an annual audit is conducted by a CPA firm and the issue of charging interest to various projects was not a concern. She added that should the funds had been borrowed from a bank, interest expense would have paid to the borrower. Ogaard explained that the question of charging interest to a project is not a procedural issue, but rather a policy issue.

Osowski inquired about the time period that the total interest charge of \$82,000 had accrued. Novak responded that the project has been charged interest since 1997.

Manager Nelson referred to the cost overrun section in the Project Evaluation Manual.

Manager Johnson noted that the Red Lake WD should have kept the RRWMB informed regarding the cost overruns. Manager Deal stated that he was very concerned about the lack of communication regarding this project.

Fritz distributed a handout which outlined the costs incurred for the project. He noted that with regard to the issue of charging interest, he does not understand why other districts are not following the same procedures. He added that since the funds in the construction account are typically invested, interest is received from the construction account in the same manner that interest is received from a bank. He explained that should all the funds be expended from the construction account, the district would not be able to reinvest the funds and receive interest.

Novak stated that the monthly fund balance is allocated based on a 12-month average which determines how much interest is earned on the account each year. Osowski noted that the project had to have been running on a deficit balance all the way through the construction period in order to accumulate such a high interest expense. Novak responded that this assumption was correct and added that all the projects are evaluated on an individual basis.

Manager Finney stated that funds out of the construction account are to be used to pay the costs associated with a project, and should a district submit a pay request to the RRWMB to assist with paying for the project a billing cycle should be recognized during which no interest is charged. He added that usually a normal 30-day billing cycle does not include an interest charge.

Fritz suggested that the accountant for the Red Lake WD should be invited to discuss the issue of charging interest expense to projects.

Ogaard referred to the policy manual and noted that should the project balance exceed the amount of the monthly billing, no interest would be recognized on the project. He added that no other watershed district had ever charged the RRWMB for interest expense.

Novak inquired about how other watershed districts allocate the interest received on investments. Ogaard responded that typically the watershed districts distribute the interest received on a pro-rata basis based on the average available surplus in each account.

Manager Finney inquired about whether the Red Lake WD includes the receipt of interest when preparing the annual budget. Novak responded that the receipt of interest could not be included in the budget since interest rates fluctuate.

Manager Finney noted his concern regarding charging interest expense to the financial institution. Ogaard concurred with Finney and added that none of the other watershed districts operate in this manner.

Manager Johnson noted that should an advance of funds been forwarded for the project, these problems would not have been encountered. He suggested that the discussion be tabled until next month until the accountant could be present to answer questions.

“Mediation Project Team” Progress/Problems

Ogaard inquired whether any districts were experiencing problems with the project teams. Manager Erickson responded that the county commissioners should be updated on the mediation process and encouraged to attend the project team meetings.

Ogaard inquired about whether he should attend a county board meeting within the Roseau River WD in order to further discuss this issue. Manager Erickson responded that it would be very beneficial for Ogaard to attend a county board meeting to explain the mediation process and added that the Roseau River WD would make an appointment for Ogaard to be on the agenda.

Roeschlein stated that the project team meetings of the Bois de Sioux WD (BdSWD) are regularly attended by the project team members. He added that the project team has been focusing on the North Ottawa project.

Ogaard noted that he has received feedback from some of the agency participants in the project teams and added that it seems that most of the project teams have gone directly into the discussion of projects rather the process of problem identification.

Dwight added that he has participated in several mediation project team meetings. He stated that agency representatives are becoming more familiar with the operation of watershed districts and, specifically, are beginning to understand that the ultimate decision making authority rests with the board of managers.

Manager Erickson reported that Tom Raster, U.S. Army Corps of Engineers (USACE) has been participating in the Roseau River WD project team meetings and has offered a variety of methods for supporting the project teams. He added that the project team has obtained support from several delegates in Canada. He noted that the project team is planning to schedule a meeting with the Canadian interest groups in order to obtain their commitment to participate in the project team meetings.

District Reports

- The Joe River WD reported that the City of St. Vincent’s dike re-alignment is proceeding rapidly. The contract for excavation was awarded to Ralph Twamley and Sons Construction of Drayton, ND. Ideal weather conditions have contributed to the progress of the project.
- The Roseau River WD reported that the board authorized Chairman Steve Erickson to sign a letter of intent to the U.S. Army Corps of Engineers to proceed with the Ecosystem Restoration Report on the Section 206 Hay Creek/Norland project.

- The Two Rivers WD reported that the District was recently notified by the MnDNR regarding an additional \$65,000 that would be granted for the construction of farmstead ring dikes within the District. This would enable the District to construct an additional four ring dikes, which would bring the total number of dikes constructed under this program within the District to 17.
- The Middle River-Snake River WD reported that the pre-construction meeting for the Angus Oslo Site #4 project has been conducted and construction has begun on the project. Delays have occurred due to excessive rainfall, however, work is progressing as well as can be expected due to the conditions.
- The Red Lake WD reported that dredging of the Thief River Falls reservoir continues with J.F. Brennan of Wisconsin doing the work. The contractor has been concentrating on the Red Lake River and is also cleaning beaches and boat landings for landowners along the way. Some problems were encountered with rock that had not been anticipated. The waste disposal site is not at capacity yet, so it is not discharging at this time.
- The Sand Hill River WD reported that the District continues to assist the Union Lake/Sarah Improvement District (LID) in obtaining the proper permits to construct an outlet to alleviate the high water problems they continue to experience.

The LID approved a pumping alternative as recommended in a feasibility study, originating from the southwest area of Union Lake. The basic components of this alternative involve construction of a pumping station at/in Union Lake, and installation of 2,500 feet of buried forcemain crossing under CR 42 and going across USFWS land. The forcemain would outlet into a natural basin with an existing outlet. This natural outlet follows a course to a point near the center of Section 3 in Garden Township, where there is an opportunity to divert the water into another drainage system.

The District's project team has been very involved in the development of the operating plan for the outlet system. This project has proved to be a true test of the mediation agreement, since several obstacles have been encountered in obtaining the proper permits. The District anticipates that a decision will be made today in St. Paul regarding the USCOE Nationwide permit and also the proper permission from the USFWS to cross their property. A special meeting was conducted in St. Paul on September 7, 1999 which included nearly all the mediation work group participants in an effort to address the obstacles encountered in the permitting process. The work group viewed the problems encountered with the Union Lake/Sarah outlet system as a test of the mediation agreement that could potentially effect all future watershed projects.

- The Wild Rice WD reported that construction on the Hendrum Community Levee project is complete. The city is planning to enroll the levee in the USACE non-federal levee program. This program requires an engineer certification of several requirements, photographs and as-built drawings.
- The Buffalo-Red River WD reported that the siphon system has been completed on Turtle Lake and was started over the Labor Day holiday. The lake has dropped about 1.5 inches since then in spite of receiving 4-5 inches of precipitation. Residents and the press have given the District positive comments and feedback.
- The Bois de Sioux WD reported that at their regular meeting on August 26, 1999, the board of managers ordered the repair of Judicial Ditch #2 in Traverse, Grant, and Wilkin counties. The re-determination of benefits portion of the petition is complete with the new benefiting area finalized. There were no appeals. Bid opening is scheduled for October 1, 1999 at 11:00 a.m. A contract will be awarded shortly thereafter.

Red River Coordinator/TAC Report – Dan Thul

In the absence of Dan Thul, no TAC report was presented. The monthly TAC committee meeting was also cancelled.

Announcement/Comments – Brian Dwight, BWSR

Dwight updated the board on the Watershed Specialist position developed by BWSR which he assumed. The primary duties will be to implement activities resulting from the recently signed mediation agreement. The position also includes a planning component which involves working with the watershed districts in the northern half of the state. He added that Pete Waller would be the Watershed Specialist in the southern part of the Red River basin beginning with the Buffalo-Red River WD and continuing south.

Manager Wilkens suggested that Dwight's territory should include all the watershed districts within the RRWMB in order to insure continuity. Dwight responded that he anticipates that this could happen in the future.

Manager Wilkens inquired about BWSR's role with regard to the overall plan updates for watershed districts. Dwight responded that his job description would include this responsibility. Dwight added that Board Conservationists would be involved as well.

Manager Wilkens inquired whether Dwight would be involved with updating the rules and regulations of the watershed districts. Dwight responded that he would be involved with this issue. Dwight noted that he would also be participating in the Red River Basin Board (RRBB) and International Flood Mitigation Initiative (IFMI) activities.

Dwight added that another item to be addressed by the newly developed position would involve increasing the collaborative efforts between state, federal and local governments. The establishment of this position will allow the Board Conservationists to focus more attention on the workload associated with counties and Soil & Water Conservation Districts (SWCD's).

Executive Director Report – Don Ogaard

A) Mediation Project Team Individual District Cost Analysis

Ogaard stated that following the previous monthly meeting, he distributed another handout to each of the individual watershed districts requesting information on how the costs associated with the project teams are billed by the individual watershed districts including the costs of independent consultants, staff, meeting expenses, and overhead. He explained that the greatest differentiation among the individual watershed districts occurred in accounting for the overhead costs.

Ogaard explained that in order to distribute state funds on a proportionate basis, uniformity must be established among the individual watershed districts. He added that once a uniform method has been agreed on by the individual districts, it could be discussed with the Flood Damage Reduction (FDR) work group in order that the state funds could be distributed.

Manager Osowski noted that uniformity in the accounting procedures should be enhanced by the implementation of the same accounting system for each of the individual districts. Manager Wilkens concurred with Manager Osowski.

Ogaard inquired whether the individual managers would relay the results of the survey to the individual districts or should the handout be forwarded directly to the district offices. The managers agreed to forward the results of the survey to the respective watershed district offices.

Ogaard discussed the state funding recommendation that should be forwarded to the FDR work group at the September 29, 1999 meeting. He explained that approximately \$125,000 is needed to cover the state portion at 50% for the project teams. **Motion** by Manager Wilkens to recommend a cost share amount of 75% state and 25% local out of the \$250,000 available state funds, **Seconded** by Manager Deal, **Carried**.

B) Liaison “Funding Procurement” Position – Richard Nelson

Ogaard distributed a draft employment contract for the Liaison Position that had been reviewed by Kurt Deter, Rinke-Noonan. He introduced Richard Nelson, Mayor of Warren, MN, whom he had contacted as an applicant for the position.

Nelson stated that in addition to being the Mayor of Warren, MN, he also owns a farm in Warren and is a trauma nurse on weekends for Dakota Hospital in Fargo, ND. He noted that he has been very active in the re-development for the City of Warren which included pursuing the PL 566 project. He added that there had not been a project of this type constructed in northwestern Minnesota for the last 15 years and, therefore, felt very fortunate that such a project had been approved.

Nelson noted that he had been involved with passing legislation that amended the 50/50 cost share percentage for several communities to a 90/10 cost share percentage. He explained that the prior cost share percentage did not treat urban and rural areas on an equal basis.

Nelson added that he has worked with FEMA regarding hazard mitigation. He explained that federal funds are available for projects, however, the right contacts need to be identified.

Nelson stated that the City of Warren had been awarded the only grant in the State of Minnesota of \$160,000 and also received \$3,000,000 to be used for downtown revitalization.

Ogaard inquired whether Nelson had reviewed the employment contract. Nelson responded that he had reviewed the contract with his attorney and he would request only minor changes to the contract.

Nelson stated that he anticipates major changes to occur in 2003 with regard to project implementation. He encouraged the RRWMB to implement as many project prior to this date or they possibly would never be constructed. He added that one of the significant changes to occur would be the changes in representation from rural to urban. He noted that projects should be pursued while the Flood of 1997 is still in people’s minds.

Manager Johnson inquired whether he was a registered lobbyist. Nelson responded that as a public official, he did not have to register as a lobbyist, however, should he accept the liaison position he would have to register.

Manager Johnson inquired whether Nelson could forward a resume for review by the RRWMB. Nelson responded that he would forward his resume to Ogaard for distribution to the board.

Ogaard referred to the 2nd page of the employment where it discussed the issue of securing funds within a one-year period following the employment contract would still be eligible for the commission. Ogaard explained that due to the nature of the position and the length of time involved in securing funding, Nelson

is requesting that a five-year time period be granted following the contract. Ogaard added that due to the nature of the projects involved, the five-year request would be fair.

Nelson stated that often times it depends on contacting the right individuals in order to obtain funding. He added that support is needed from individuals at both the state and federal levels and he has made numerous contacts at both these levels in pursuing funds for the City of Warren. He noted that he could furnish the RRWMB with several references should they so desire.

Ogaard explained that due to the mediation agreement, watershed districts have been recognized as leaders in the water management field and this has increased their workload significantly. Nelson noted that although he was not part of the formal process of mediation, he became familiar with the process due to his contact with the Middle River-Snake River WD.

Ogaard stated that he would like to retire from his current position as Executive Director within the next three years. He added that the implementation of the liaison position would assist in decreasing his workload.

Manager Finney inquired whether Ogaard viewed the liaison position as a future replacement for the Executive Director. Ogaard responded that this issue would have to be discussed by the board at a future date.

Motion by Manager Finney to adopt the employment contract, **Seconded** by Manager Nelson. Discussion followed.

Manager Johnson stated that he would like to review the employment contract with the Red Lake WD board and their attorney prior to its approval by the RRWMB. Ogaard responded that the contract had been reviewed by an attorney but would be resubmitted following the changes discussed earlier.

Ogaard referred to the last page of the employment contract and stated that he envisions the funding obtained to go directly to the watershed districts, therefore, each watershed district would need to sign the contract.

Manager Wilkens agreed with Johnson and added that the contract should be reviewed by each individual watershed district prior to its approval by the RRWMB.

As there was no further discussion, the motion was withdrawn.

C) RRBB – Representative

Ogaard stated that he had originally served two years as the chairman of the Interim Planning Group (IPG) out of which the RRBB was formed. He added that he is currently the representative for the Minnesota watersheds, and acting Treasurer, with Dan Wilkens serving as his alternate. He explained that due to his increased workload and differences of opinion with the current chairman, he requested that he would no longer be required to participate on behalf of the RRWMB. **Motion** by Manager Deal to nominate Dan Wilkens as the Minnesota watershed representative on the RRBB, **Seconded** by Manager Younggren, **Carried**.

Manager Finney noted the importance of the RRWMB participating with the RRBB. He stated that at a recent International Joint Commission (IJC) meeting he had attended, the subject of governance for the Red River basin was discussed. He noted that the RRBB could possibly become this entity with some minor transformation.

D) U.S. Geological Survey (USGS) Request Letter

Ogaard distributed the letter for review. Manager Deal suggested that the TAC review the proposal to determine whether the RRWMB should participate. Ogaard stated that copies of the request would be forwarded to each TAC member for review in order for a recommendation to be presented at the next monthly meeting.

E) Union Lake/Sarah Project Update

Ogaard stated that the Lake Improvement District (LID) is in the process of developing a pump for the high water situation. He explained that the DNR had issued a permit following a downstream analysis conducted by fisheries. He noted that a nationwide permit has been applied for from the USACE. A permit had been received by the USFWS, however, it was a special use permit which does not allow for pumping on a continuous basis. He stated that following the issuance of the special use permit by the USFWS, the permit was rescinded until the USACE permit had been issued. He added that a nationwide permit was expected to be issued by the USACE by noon today. He noted the importance of the FDR work group addressing this situation since it is one of the first projects to be implemented since the adoption of the mediation agreement.

Wetlands Conference - Annapolis, Maryland

Ogaard stated that several representatives from the environmental groups that participated in the mediation process were planning to attend the Wetland Conference in Annapolis, Maryland. Manager Deal added that the format of the wetland conference is in the process of being developed and representatives from the FDR work group have been invited to participate in a conference call which will include discussion on the presentation of mediation agreement at the conference. **Motion** by Manager Nelson to authorize Jerome Deal to attend the Wetlands Conference in Annapolis, Maryland, **Seconded** by Manager Wilkens, **Carried**.

District's Funding Requests:

No requests for funds were submitted this month.

The next meeting will be on October 19, 1999, at 9:30 AM at the City Hall, Warren, Minnesota.

There being no further business, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,

E. Harley Younggren
Secretary

Naomi L. Jagol
Administrative Assistant