



**SPECIAL MEETING OF
THE PRIOR LAKE – SPRING LAKE WATERSHED DISTRICT
BOARD OF MANAGERS**

November 21, 2011

MANAGERS PRESENT

Craig Gontarek, William Kallberg, William Schmokel, Bruce Thorson

MANAGER ABSENT

Greg Aamodt

OTHERS PRESENT

Mike Kinney, District Administrator

Steve Mattson, Northland Securities

Ralph Teschner

Mike Welch, Assistant District Counsel.

ITEMS OF BUSINESS

Investment Policy

Mr. Kinney introduced Ralph Teschner and Mr. Teschner presented a proposal to develop a District investment policy.

Discussion of circumstances of District's current \$3.2M balance and the unique circumstances leading to same.

Manager Thorson urged divestiture of investments with maturity dates more than roughly three years from present and argued that District should not take interest-rate risk on its principal. Managers discussed timeline for construction of District capital projects. After further discussion, Manager Thorson conceded that five-year horizon is reasonable. Manager Thorson moved, seconded by Manager Kallberg, to authorize Northland Securities to sell by December 25, 2011, on consent of the District administrator, all bonds held by the District at Northland Securities with maturities in excess of December 31, 2017, and them immediately reinvest all cash proceeds into the District's existing account at Northland Securities "General Gov't Sec. Mny Mkt Cl B"(which is a short-term U.S. government securities fund managed by Dryfus with ticker GGTB. Upon vote, the motion carried, 4-0.

After further discussion, Manager Kallberg moved, seconded by Manager Schmokel, to contract with Ralph Teschner to develop and present a draft District investment policy in accordance with Mr. Teschner's November 11, 2011, proposal and Board direction for a cost of \$1,000. Upon vote, the motion carried, 4-0.

Bond Refunding

The managers discussed a proposal from Steve Mattson to re-fund (refinance) the District's outstanding bond debt, which Mr. Mattson advised would save the District approximately \$40,000. The managers agreed to take no action on the matter until the investment policy has been completed, reviewed and adopted.

Review of District Policies

Mr. Welch reviewed the timeline and background for development of a District governance manual. Mr. Welch reviewed and explained the drivers for the General Governance Policies, the Bylaws, the amended Public Data Request Policy and the Records Retention Schedule. The managers asked about the penalties and responsibility for the costs of defending against a claimed Open Meeting Law or Data Practices Act violation, as well as insurance coverage for the managers. The managers agreed that when the managers have information they wish to convey to the other managers, they should send email or mail to the administrator for distribution, potentially with the assistance of counsel if legal questions are presented. The managers agreed that the January meeting each year should be a business meeting, and asked Mr. Welch to provide a memo with background on the policies for the January 2012 meeting.

Accounting Policies

Mr. Kinney presented recommended changes to District accounts and a suggested policy change from Chris Schadow, the District accountant. After discussion, Manager Schmokel moved, seconded by Manager Kallberg, to approve the closing of the 415 Milfoil Control Fund and transfer of funds therein – approximately \$14,269 – to the 509 Fund (617 Lake Management), and the closing of the 410 Revolving Contingency Fund and transfer of funds therein – approximately \$82,626 – to the 509 Fund (610 Planning, Program and Staff Development), retroactive to January 1, 2011. Upon vote, the motion carried, 4-0.

The managers discussed the recommendation from the account to adopt a new revenue-management policy to bring District practices into compliance with general accounting standards for special revenue funds. Mr. Welch recommended a change to the resolution language.

After further discussion, Manager Kallberg, seconded by Manager Schmokel, moved to adopt Resolution 11-241 with the change recommended by counsel, proclaiming that the specific revenue sources of each special revenue fund and the specific purpose for which they are restricted or committed are as follows:

Fund: Implementation Fund

Specific Revenue Sources & Amount: Tax levy and amount adopted in the final levy certification for taxes payable in the given year

Purpose: Execute the Water Resources Management Plan adopted by the District Board of Managers in April 2010.

Upon vote, the motion carried, 4-0.

Culvert Repair, Prior Lake Outlet Channel

The managers discussed a letter from Jason Miller, sent to the District on behalf of Phyllis Miller, whose property borders on the Prior Lake Outlet channel and where a culvert suffered degradation. The managers agreed that the District could participate in the repair of the culvert as long as the status of the

District easement on the property is clarified in exchange. Manager Schmokel moved, seconded by Manager Gontarek, to direct the administrator to negotiate an agreement with the property owner(s) for review by the managers. Upon vote, the motion carried, 4-0.

ADJOURNMENT

There being no further business, the special meeting of the Prior Lake – Spring Lake Watershed District Board of Managers was adjourned at 7:10 p.m.

Secretary, Bill Schmokel

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