

MINUTES OF REGULAR BUSINESS MEETING OF THE
BOARD OF DIRECTORS
THE CENTRAL NEBRASKA PUBLIC POWER AND IRRIGATION DISTRICT
DISTRICT HEADQUARTERS, HOLDREGE, NE
JULY 5, 2017 – 9:00 A.M.

This meeting was publicly advertised in accordance with Section 84-1411 of the Nebraska Statutes by notices on KRVN (Lexington) and KUVR (Holdrege) radio stations on June 26, 2017, and by legal publication in the Lexington Clipper-Herald on July 1, 2017, the North Platte Telegraph on June 29, 2017, the Holdrege Daily Citizen and Kearney Hub on June 26, 2017, giving the time, date, and place of the meeting and the information that the Agenda was available in advance at the Office of the Assistant Secretary.

Individual cards giving the time, date, and place of this meeting were mailed to the Directors on June 15, 2017.

The following Directors were present:

Dudley L. Nelson, President	Geoffrey K. Bogle	K. Scott Olson
David L. Rowe, Vice President	Ronald E. Fowler	Roger D. Olson
Martin E. Mueller, Secretary	William E. Knoerzer	Robert L. Petersen
Robert B. Dahlgren, Treasurer	David G. Nelson	Gordon N. Soneson

Also present were:

Don D. Kraus, General Manager	Dave R. Ford, Irrigation Division Mgr.
Rochelle A. Jurgens, Controller	Jeff J. Buettner, Public Relations Coord.
Cory A. Steinke, Civil Engineer	Holly Rahmann, Public Relations Assistant
Eric R. Hixson, Engineering Services Mgr.	Marcia L. Trompke, Conservation Director
Mike A. Drain, Natural Resources Mgr.	Michael C. Klein, Legal Counsel
Devin M. Brundage, Gothenburg Div. Mgr.	Emily J. Anderson, Assistant Secretary

Others present were:

Scott Dicke, Lower Republican NRD	Robert McCormick
Lori Potter, Kearney Hub	Arlin Edeal
Jean Edeal	Linda Aust
Don Hutchens	Frank Koehn
Steve Thuernagle	Dave Kreutz, on behalf of JLDI
Chuck Stone	John Kirby
Deb Ottemann	Mike Aust
Nancy Harms	Gerhart Wehrbein
Rhea Musil	Judy Wixson
Bonnie Hahn	Thomas Musil
Dale Romatzke	Shawn Sterline
Steve Kemper	Allan McClure
Jim Byrns	Phyllis Burns
Dick Helvey	Gene Koepke
Ross Ridenour	Linda Ridenour
Tim Lonowski	Jeff Kletzmayer
Marvin Muth	Barbara Muth
Jim Zecha	

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The Board President announced that information for the public concerning the Open Meetings Act was available for interested parties to view.

At 9:00 AM, the Board President, Dudley L. Nelson, announced that the meeting was open for business and proceeded with roll call.

PUBLIC INPUT: Dave Kreutz reported the Diquat Herbicide which is a liquid product some of the Johnson Lake Area Associations purchased to control the sago pond weed is prohibited for use in irrigation waters. They will continue to use the granular product as they are seeing good results with it, and use the liquid product later in the fall if the problem continues to exist. Dale Romatzke, Chuck Stone, Linda Aust, and Don Hutchens all stated their concerns over the 30-year fixed term lease, the transfer and renewal policy, the hardship policy, and the improvements and investments tenants have made to the lake.

CONSENT AGENDA: President Nelson asked the Directors if there were items they wished to be removed from the following consent agenda, to be discussed and voted on individually.

- **Approval of Minutes of Regular Business Meeting of the Board of Directors held June 5, 2017**
- **Approval of Minutes of Special Meeting of the Board of Directors held June 23, 2017**
- **Approval of Minutes of Committee Meeting of the Board of Directors held June 23, 2017**
- **Approval of the July Disbursements:**

Hydro Division:

Check #s 54478, 54500 & 54597-VOID; Check #s 54619 through 54852 and 8899414 through 8899431 (Accounts Payable)	\$1,176,446.53
Check #s 9913620 through 9913728 (Payroll)	\$356,520.94

Kingsley Division:

Check #s 2947 through 2951 (Accounts Payable)	\$51,219.76
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J-2 Regulating Reservoir Construction Fund:

Check # 1252 (Accounts Payable)	\$254.53
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Glendo Division:

NONE	NONE
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Flex Spending Account:

Check #s 8086 through 8089	\$694.74
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- **Approval of the following Right of Way Transactions:**

System	Tract No.	Legal Desc.	Landowner	Landowner Easement to Central Acres
<i>RIGHT-OF-WAY – Grant of Easement</i>				
Phelps	A29.1#168	N1/2SW1/4 of 32-7-17	Gerald E. & Vesta Laree Silver	0.27
Phelps	A29.1#167	S1/2NW1/4 of 32-7-17	Larry D. & Marlene A. Pearson	2.17
<i>APPLICATION FOR REMOVAL OF BRIDGE OR CROSSING</i>				
E65	E54#50	NW1/4 of 30-7-19	HUSKERLAND AG, LLC; Midland IRA, Inc. FBO Patricia Drahota and Lumir James Drahota	N/A
<i>(Remove timber bridge at approx. mp p-10.7 on E65#50)</i>				

- **Approval of Work Order No. 107363 – Kingsley Warehouse Waste Oil Heater (\$10,176.00)**
- **Approval of Work Order No. 2107173 – Plant LED Lighting (\$9,685.00)**

- **Approval of Work Order No. 107376 – SCADA Server (\$10,000.00)**
- **Approval of Contract Change Order No. 1, Contract No. 0-677 - SEL Engineering Services (\$7,000.00)**
- **Approval of Progress Estimate No. 1 (Final) – Contract No. 0-670, Gene Steffy Auto Group for 2017 Pickups (\$161,491.00)**
- **Approval of Closure of Contract No. 670, Gene Steffy Auto Group for 2017 Pickups (\$161,491.00)**
- **Approval of Progress Estimate No. 1 (Final) – Contract No. 0-676, NMC Caterpillar for 2017 compact track loader with blade (\$77,254.00)**
- **Approval of Closure of Contract No. 0-676, NMC Caterpillar for 2017 compact track loader with blade (\$77,254.00)**
- **Approval of an Amendment to the Permitting Procedures, Appendix A to reflect the Bass Bay Area Association’s requested thirty foot (30’) shoreline setback**
- **Approval of the following 2017/2018 Board Meeting Schedule:**

Committee and Board meeting dates for 2018 and modifications to the 2017 schedule which were previously approved are listed below. All meetings will be held in the Board Room of the Holdrege Office (unless changes are made and notices sent at a later date), with Regular Committee meetings and Regular Board Business meetings scheduled to begin at 9:00 AM, except as otherwise noted below:

<u>Regular Committee Meeting Date</u>	<u>Regular Business Meeting Date</u>
Friday, July 28, 2017	Monday, August 7, 2017
Friday, August 25, 2017	Tuesday, September 5, 2017
Friday, September 22, 2017	Monday, October 2, 2017
Friday, October 27, 2017	Monday, November 6, 2017
Wednesday, November 22, 2017	Monday, December 4, 2017
Thursday, December 21, 2017	Tuesday, January 2, 2018
Friday, January 26, 2018	Monday, February 5, 2018
Friday, February 23, 2018	Monday, March 5, 2018
Friday, March 23, 2018	Monday, April 2, 2018
Friday, April 27, 2018	Monday, May 7, 2018
Friday, May 25, 2018	Monday, June 4, 2018
Friday, June 22, 2018	Monday, July 2, 2018
Friday, July 27, 2018	Monday, August 6, 2018
Friday, August 24, 2018	Tuesday, September 4, 2018
Friday, September 21, 2018	Monday, October 1, 2018
Friday, October 26, 2018	Monday, November 5, 2018
Wednesday, November 21, 2018	Monday, December 3, 2018
Friday, December 28, 2018	Thursday, January 10, 2019

Observance of holidays by the District will be as follows:

- 2017 Labor Day, Monday, September 4, 2017
- Thanksgiving Day, Thursday, November 23, 2017
- Christmas Day, Monday, December 25, 2017
- 2018 New Year’s Day (observed), Monday, January 1, 2018
- Good Friday, March 30, 2018
- Memorial Day, Monday, May 28, 2018
- Independence Day, Wednesday, July 4, 2018
- Labor Day, Monday, September 3, 2018
- Thanksgiving Day, Thursday, November 22, 2018
- Christmas Day, Tuesday, December 25, 2018

2 Floating Holidays (Employee’s Choice)

It was moved by Director S. Olson and seconded by Director Petersen to approve the Consent Agenda as presented. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried.

WATER CONVEYANCE PERMITS: Dave Ford reported on a Water Conveyance Permit for Bryant Knoerzer at E67-0.9 to 0.9 & 1.2. No action was needed on this item.

2017 BUDGET REVISION: Rochelle Jurgens presented Hydro Division Budget Revision #6 to the 2017 Budget. Dave Ford explained this budget revision is necessary to purchase new filters for two of the subsurface drip irrigation demo sites, half of the cost of which will be paid by the landowners.

	<u>Current Budget</u>	<u>Proposed Budget</u>	<u>Difference</u>
<u>Irrigation Conservation Capital Budget</u>			
Sand Media Filter	\$0	\$11,000	\$11,000

It was moved by Director Soneson and seconded by Director Mueller to approve Hydro Division Budget Revision #6 as presented. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried.

JOHNSON LAKE/PLUM CREEK LEASES:

a. Johnson Lake and Plum Creek Reservoir Alternate Lease – Rental Schedule: Don Kraus stated there has been significant discussion over the past several months regarding a 30-year fixed term versus a rolling term. He stated NPPD uses a 30-year fixed term lease at Lake Maloley and it has not caused any significant financing issues for their tenants. Kraus stated staff is recommending Board approval of the Alternate Lease as presented with the 30-year fixed term with the rental schedules as attached as Exhibit A.

It was moved by Director S. Olson and seconded by Director Soneson to approve the Johnson Lake/Plum Creek Alternate Lease with corresponding Rental Schedules attached as Exhibit A, as presented. Discussion included: Director Knoerzer clarified that this lease includes the 30-year fixed term with the rental schedules attached to the lease as Exhibit A. Director Dahlgren inquired about the history of why the 30-year rolling term was used in the current lease and Don Kraus stated it may have been written that way because of negotiations with tenants at Johnson Lake and the use in the Jeffrey Lake leases. Director Dave Nelson commented that he used to own a home on a private, leased lake. The lease rates fluctuated annually and new owners were not given any assurances of what future lease rates would be. Nelson reminded those from the public in attendance that there are enormous costs associated with maintaining the lakes and irrigation canals. Upon voting on the motion, the following Directors voted therefore: Bogle, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, and Soneson. Dahlgren voted no. Fowler and Rowe abstained from voting. Motion carried.

b. Hardship Policy: Don Kraus stated there have been no changes to the Hardship Policy since the June 23, 2017 Committee Meeting of the Board. The Hardship Policy is as follows:

JOHNSON LAKE/PLUM CREEK RESERVOIR HARDSHIP POLICY

1. To be eligible for the Central Nebraska Public Power and Irrigation District (District) hardship relief, a tenant must:
 - A. Hold a lease with the Hardship Clause included (1998 version for Johnson Lake and Plum Creek Lake), and
 - B. Meet Nebraska Homestead Exemption (NEHE) eligibility category requirements, and
 - C. Occupy the homestead continuously from January 1 through August 15, and

D. Prior to December 1st of year:

- i. Provide the District with household income information identical to what is required for application to the NEHE program, and
- ii. Notify the District of the preference of payment options, i.e. lump sum payment or monthly installments with no interest penalty.

2. The District hardship relief rental amount will be calculated using the following guidelines:

- A. The District will generate annual hardship relief categories by increasing the NEHE qualifying household income limits for each NEHE eligibility category by 25%, and
- B. District hardship relief categories will range from 15% to 100% of an eligible lessee’s 2017 tier rent (See table below).

District Hardship Relief Categories & Lease Rental Amounts						
District Hardship Relief Category	Johnson Lake					Plum Creek
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1
A	\$2,250	\$900	\$450	\$450	\$113	\$3,000
B	\$1,868	\$747	\$374	\$374	\$93	\$2,717
C	\$1,676	\$671	\$335	\$335	\$84	\$2,433
D	\$1,485	\$594	\$297	\$297	\$74	\$2,150
E	\$1,294	\$518	\$259	\$259	\$65	\$1,867
F	\$1,103	\$441	\$221	\$221	\$55	\$1,583
G	\$911	\$365	\$182	\$182	\$46	\$1,300
H	\$720	\$288	\$144	\$144	\$36	\$1,017
I	\$529	\$212	\$106	\$106	\$26	\$733
J	\$338	\$135	\$68	\$68	\$17	\$450

3. The following restrictions apply to the District hardship relief program:

- A. Tenants whose lease is held in the name of an entity such as a corporation, partnership, or limited liability company are not eligible.
- B. The hardship benefit may not be assigned upon sale or transfer of the leasehold interest.
- C. The hardship benefit does not extend to any form of alternate lease.

It was moved by Director Dave Nelson and seconded by Director Mueller to approve the Hardship Policy as presented. Discussion included: Don Kraus clarified the Hardship Policy is only available to leaseholders who still have the 1998 lease and follows guidelines similar to what the state of Nebraska uses for homestead exemptions. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried.

c. Transfer, Renewal and Rental Schedule Policies: Don Kraus discussed the edits to the document since the June 23, 2017 Committee Meeting of the Board. The Transfer, Renewal and Rental Schedule Policies are as follows:

**JOHNSON LAKE AND PLUM CREEK RESERVOIR RESIDENTIAL LEASE
TRANSFER, RENEWAL AND RENTAL SCHEDULE POLICIES**

I. TRANSFER POLICY

Background

Central’s standard form residential leases at Johnson Lake and Plum Creek Reservoir provide the

tenant may assign, sell, sublease or otherwise transfer the leasehold interest with Central's written consent. The purpose of this policy is to set forth Central's residential lease transfer policies.

Policy

1. Lease Transfer Fee. Beginning March 1, 2018, Central shall charge a lease transfer fee of \$300.00 per transfer of a residential lease at Johnson Lake or Plum Creek Reservoir.

2. Lease Transfers. New lease agreements shall be signed by Central upon receipt of a properly executed conveyance document for the leased premises from the prior tenant to the new tenant. The standard form lease agreement signed by Central shall be determined as follows:

a. Fixed Term Lease Agreement. A Fixed Term Lease Agreement shall mean a lease agreement that is for a fixed term of 30 years pursuant to paragraph 3 of the lease agreement. New tenants shall be given the option to either enter into a new Fixed Term Lease Agreement for the remaining term and rental schedule of the prior tenant's Fixed Term Lease Agreement or enter into a new Fixed Term Lease Agreement for a new 30 year term with an updated 30 year rental schedule.

b. Continuing Term Lease Agreement. Continuing Term Lease Agreement shall mean a lease agreement in which the term initially started on March 1, 1995 and continues until either party provides the other party 30 years advance written notice of termination pursuant to paragraph 3 of the lease agreement. New tenants shall be given the option to either enter into a new Fixed Term Lease Agreement with an updated 30 year rental schedule or a new Continuing Term Lease Agreement without the hardship clause.

3. Credit Reports. Central will obtain a consumer credit report on new prospective tenants wishing to acquire a leasehold interest at Johnson Lake or Plum Creek Reservoir. The Central District requires a minimum credit report score of 600 for any new tenant at Johnson Lake or Plum Creek Reservoir. If the credit score is greater than 700, no additional conditions are required. If the prospective new tenant's credit score is between 600 and 700, Central may enter into a lease agreement with the prospective new tenant under the following conditions:

a. All liens, taxes and assessments against the Leased Premises are paid in full, specifically including the SID general and special assessments and all real estate taxes.

b. The standard form lease will be modified to add a security deposit requirement in the amount of \$1,500.

If at a later date, the tenant requests the District to obtain an updated credit report, and the score is above 700, the security deposit or balance thereof would be refunded and the security deposit requirement eliminated from the tenant's lease. The tenant may request the District to obtain a new credit report once every 12 months. The cost of subsequent credit reports shall be paid by the tenant.

II. RENEWAL POLICY

Background

In 2017, Central began offering to residential tenants at Johnson Lake and Plum Creek Reservoir a 30 year fixed term lease agreement, hereinafter Fixed Term Lease Agreement. The purpose of this policy is to set forth Central's policy in respect to Tenant renewal of the Fixed Term Lease Agreement for purposes of refinancing, etc.

Policy

1. Lease Renewal Fee. Central shall charge a lease term renewal fee of \$300.00 per renewal of a Fixed Term Lease Agreement.

2. Lease Renewal Request. A tenant may request a lease term renewal by written notice to Central with a payment of the lease renewal fee. Upon receipt, Central shall prepare for signature by Central and the tenant a new 30 year Fixed Term Lease Agreement with an updated 30 year rental schedule.

3. Credit Reports. Lease Renewal Requests are not subject to credit reporting. However, security deposit requirements from the initial lease agreement shall be continued in the renewed lease agreement unless tenant requests the District to obtain an updated credit report, and the score is above 700, in which event the security deposit or balance thereof would be refunded and the security deposit requirement eliminated from the tenant's renewed lease. The cost of credit reports shall be paid by the tenant.

III. RENTAL SCHEDULE POLICY

Background

Upon transfer or renewal of the Fixed Term Lease Agreement, tenant may request a new 30 year term with an updated 30 year rental schedule. Central shall update the Fixed Term rental schedules for Johnson Lake and Plum Creek Reservoir (hereinafter "Rental Schedules") in accordance with the following policy.

Policy

1. Annual Updates. The Rental Schedules will be updated annually with a 3.0% annual escalator.
2. Rental Schedules Revisions. Rental Schedules and the 3.0% annual escalator will be reviewed beginning in 2023 and at appropriate intervals not to exceed every three years thereafter. Any change to the Rental Schedules will be effective no sooner than one year from board approval of the change.
3. JLDI Notice. The President of Johnson Lake Development Inc. will be notified in writing a minimum of sixty days prior to any board meeting at which changes to the Rental Schedules are proposed for approval.

It was moved by Director R. Olson and seconded by Director Knoerzer to approve the Transfer, Renewal and Rental Schedule Policies as presented. Discussion included: Director Mueller suggesting amending the policy to allow the Board to review the rental rates sooner than 2023 and more frequently than every three years, and suggested it be reviewed by the Power and Recreation Committee. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried.

REAL ESTATE NEGOTIATIONS: Don Kraus stated the Reed, Bayside and Valle Ranches properties will be discussed in Closed Session.

PERSONNEL: None.

LEGISLATION: Jeff Buettner had nothing new to report.

WORKSHOPS, SEMINARS AND CONFERENCES: Jeff Buettner confirmed the 2018 Board Retreat in Lincoln has been scheduled for February 27-28, 2018.

DIRECTORS' ATTENDANCE: All Directors were in attendance.

BOARD COMMENTS: Director Rowe reported the July 4th activities at Johnson Lake were very nice. He complimented Jeff Buettner and Holly Rahmann for their efforts coordinating the summer tour and thanked Devin Brundage for his presentation to the tour group. Director Fowler thanked Jeff Buettner for participating on the judging panel for the Johnson Lake boat parade. Holly Rahmann reported she read on Facebook that Lake McConaughy had a record-breaking 200,000+ visitors over the July 4th weekend. Director Dudley Nelson also thanked Jeff Buettner and Holly

Rahmann for their work organizing the summer tour.

OPERATIONS REPORT: The following operations reports were presented:

- a. Dave Ford stated irrigation season is very busy with flows in the canals nearing capacity. The fight to control the moss has been productive so far this season.
- b. Jeff Buettner reported the summer tour went very well last week. Central sponsored a BBQ lunch at Bertrand Days last weekend. He is attending a Hall of Fame Commission public meeting on July 19, 2017 at the Nebraska Prairie Museum to endorse Central's nominee, George Johnson.
- c. Cory Steinke reported Lake McConaughy is at elevation 3,256.3, 1,492,500 acre feet and 85.6% capacity. Inflows to Lake McConaughy have decreased to 627 cfs, with releases around 3,100 cfs. Johnson Lake levels are about a foot higher than normal at 2,618.5.
- d. Devin Brundage stated hydro operations are going well aside from a six-hour outage at Kingsley hydro due to a storm over the weekend. The dredging efforts are going well and crews plan to move the equipment to the Diversion Dam in August.
- e. Marcia Trompke has been working to prepare the Water Sustainability Fund grant application which is due between July 19-30, 2017 for the Rainwater Basin Enhancement project. She has also been busy working on the E67 Telemetry project and data collection.
- f. Mike Drain stated the FERC boundary review was filed last week. He reported prehistoric rhinoceros remains were discovered recently at Lake McConaughy so he has been working to get the necessary permits to transfer the remains to a museum.

A break was taken at 9:47 a.m. The meeting resumed at 10:09 a.m.

At 10:09 AM it was moved by Director Knoerzer and seconded by Director S. Olson, that the Board enter into Closed Session to protect the public interest and to receive legal advice regarding real estate negotiations. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried. Board President Nelson stated the topic to be discussed in closed session was the following agenda item: Real Estate Negotiations regarding the Reed, Bayside and Valle Ranches, LLC properties.

C L O S E D S E S S I O N

At 11:32 AM it was moved by Director Petersen and seconded by Director Fowler, that the Board exit Closed Session and reconvene in Regular Session. Upon voting on the motion, the following Directors voted therefore: Bogle, Dahlgren, Fowler, Knoerzer, Mueller, David Nelson, Dudley Nelson, R. Olson, S. Olson, Petersen, Rowe, and Soneson. None voted no and the motion was declared carried. President Nelson stated that the items discussed in Closed Session were of a legal nature relating to the following agenda item: Real Estate Negotiations regarding the Reed, Bayside and Valle Ranches, LLC properties.

The meeting adjourned at 11:32 AM.

ATTEST:

THE CENTRAL NEBRASKA PUBLIC POWER
AND IRRIGATION DISTRICT

Martin E. Mueller, Secretary

By _____
Dudley L. Nelson, President

