

MINUTES OF MUNICIPAL UTILITIES BOARD MEETING

Monday, February 25, 2013

The Municipal Utilities Board convened in regular session at the Municipal Utilities Board Room 901 Fourth Avenue SW Watertown SD on Monday February 25, 2013 at Noon with President Dustin Padgett presiding.

Board members present: Dustin Padgett, Dave Strait, Mike Luken and Wayne Schultz by teleconference. Absent Board Member Ernie Wight and Board Liaison Member of City Council Bruce Buhler. Staff Members present: Steve Lehner, Adam Karst, Todd Chambers, Jeff DeVille, Doug Enstad, Rich Schmidt, Mark Meier, Mark Haider, Kevin Kruiter, Stephanie Ries, Sheila Mennenga, Lisa Pahl, Stanton Fox. Press: Don Egert, KXLG Radio.

ITEM 6331

Motion by Strait with second by Luken to approve the Agenda. Motion carried.

ITEM 6332

Motion by Luken with second by Schultz to approve minutes of the regular Board meeting on January 28, 2013. Motion carried.

ITEM 6333

Motion by Luken second by Schultz to authorize Board President to sign Resolution #6333. Motion carried.

RESOLUTION NO. 6333

RESOLUTION OF THE CITY OF WATERTOWN, SOUTH DAKOTA MUNICIPAL UTILITIES BOARD TO APPROVE THE USE OF EXCESS WATER SYSTEM SURCHARGE FUNDS TO PAY CERTAIN EXPENSES OF OPERATING AND MAINTAINING IMPROVEMENTS PREVIOUSLY FINANCED THROUGH THE ISSUANCE OF A BOND SECURED BY THE SURCHARGE

WHEREAS, in 2008 the City of Watertown Municipal Utilities Board (the "Utilities Board") undertook a project to make substantial improvements to the City's drinking water system; and

WHEREAS, in contemplation of financing such improvements, on April 28, 2008 the Utilities Board adopted Resolution No. 5632 (the "Surcharge Resolution") to approve an amendment to the rate schedule applicable to users of the City's drinking water system, including the adoption of a surcharge pursuant to SDCL 9-40-15 (the "Act") to be pledged as security for and to be used as the source of repayment for such financing; and

WHEREAS, in order to pay for a portion of the cost of the improvements to the drinking water system and associated costs, including engineering costs, legal and financing costs, and other related costs, the City on October 31, 2008 issued its Water System Revenue Bond in the

principal amount of \$23,760,000 (the "Bond") to the South Dakota Conservancy District and in connection with the issuance of the Bond, the City entered into a Loan Agreement dated October 31, 2008 (the "Loan Agreement") with the South Dakota Conservancy District; and

WHEREAS, the surcharge has generated and continues to generate funds in excess of the amounts necessary to pay principal and interest on the Bond, and as a result, after paying principal and interest on the Bond, as of December 31, 2012 the balance remaining in the surcharge fund was \$2,570,960.28 (the "Excess Surcharge Funds"); and

WHEREAS, as required by the Loan Agreement, the surcharge rate currently in effect is reasonably expected to generate during each calendar year not less than 110% of the principal and interest due on the Bond during such year; and

WHEREAS, it has been proposed that some of the Excess Surcharge Funds be used to pay a portion of the expenses of operating and maintaining the improvements financed with the proceeds of the Bond; and

WHEREAS, the Surcharge Resolution contemplates the use of Excess Surcharge Funds for other purposes as permitted under the Act, and the Act permits the surcharge to be used for the services of the facilities financed with the proceeds of the Bond; and

WHEREAS, the Utilities Board has been advised by the City's bond counsel that the Loan Agreement does not prohibit the use of surcharge revenues to pay expenses of operating and maintaining the improvements financed with the proceeds of the Bond if adequate provision has been made for the timely payment of principal and interest on the Bond and the City has otherwise complied with the terms of the Loan Agreement; and

WHEREAS, the Utilities Board has determined that it is in the best interests of the City and the users of the City's drinking water system to use a portion of the Excess Surcharge Funds for the payment of a portion of the expenses of operating and maintaining the improvements financed with the proceeds of the Bond; and

WHEREAS, during calendar year 2012, surcharge collections, or Borrower's Project Income, totaled \$2,181,530.61 and Borrower's Total Debt Service on project totaled \$1,654,640.80 with the difference being \$526,889.81;

NOW, THEREFORE, BE IT RESOLVED by the City of Watertown Municipal Utilities Board, as follows:

1. The General Manager of Watertown Municipal Utilities is authorized and directed to transfer the sum of \$526,889.81 from the DWSRF Loan #1 Surcharge Fund to the DWSRF Loan #1 O&M Fund and to use such funds to pay a portion of the expense to be incurred during each calendar year for operating and maintaining the improvements financed with the proceeds of the Bond.

2. In preparation of the Annual Certification of Compliance with Rate Covenant, the Excess Surcharge Funds transferred in 1. above will not be subtracted from or added to Borrower's Project Income for any calendar year.

Dated at Watertown, South Dakota, this 25th day of February 2013

ITEM 6334

Motion by Strait second by Luken to authorize General Manger to sign Appendix E, certification of compliance with rate covenant.

ITEM 6335

Motion by Strait with second by Luken to approve policy changes as outlined and presented at January Board Meeting those being: Contractor deposits and/or Payment Bond cancelled and/or Hydrant meter rental deposit returned only after temporary meter is returned and payment made in full for all utility service. Collection will be made on all customers regardless the amount. The Municipal Utilities Board authorizes to pay a monthly fee for participants in the FSA plan. This fee is set annually by the plan's administrator. Water Hydrant Meter Rental was added of \$75.00 plus water consumption. An application will be required upon getting a gas meter. There were changes for water to multiple unit dwellings. Water Service Line had multiple changes. There were some verbiage changes throughout. Motion carried.

ITEM 6336

Lehner presented information on the customer survey for public awareness of natural gas to meet federal requirements. This will be a follow-up survey to see how much the customers are retaining on gas safety knowledge. Motion by Strait with second by Luken to approve agreement with Central Surveys to conduct a phone survey for the Gas Department and authorize General Manger to sign. Motion carried.

ITEM 6337

DeVillie presented the change order #1 with Preload for the 3 Million Gallon Water Tank. The state reviewed overflow capacity needed and concluded to meet 10 states standard it needed to be designed to accommodate a 7,700 gpm not the original 3,000 gpm as a result the pipe size changed from 12" to 18". Total Change order amount \$8,438.81. Motion by Strait with second by Luken to approve change order. Motion carried.

ITEM 6338

This being the time and place set for consideration of bids, the following were presented. Bids for Installing URD Primary and Secondary Wire and

Lime Sludge Removal were opened Thursday, February 21, 2013 at 1:30 PM by Municipal Utilities Department Staff as authorized by the Board.

Install URD Primary and Secondary Wire for Electric Department: Engelstad Electric Co. Watertown, SD Total Price: 198,356.00; Dave's Construction Sioux Falls, SD Total Price: 285,250.00 All bidders submitted a 10% bid bond as bid security. Upon review and recommendation by Chambers, motion by Strait with second by Luken to award bid to low valid bidder Engelstad Electric Co. of Watertown, SD. Motion carried.

Lime Sludge Removal for Water Department: A.P. and Sons Summit, SD Price: 6.50 per ton. Gacke Enterprises Canton, SD Price: 6.65 per ton. Stromseth Construction Watertown, SD Price: 6.95 per ton. All bidders submitted a 10% Bid Bond or a 5% Cashier's Check as bid security. Upon review and recommendation by Chambers, motion by Strait with second by Schultz to award bid to low valid bidder AP & Sons Summit, SD. Motion carried

ITEM 6339

Motion by Luken with second by Strait to return checks of unsuccessful bidders. Motion carried

ITEM 6340

Lehner presented information on the bill stuffers. Free Residential Disposal for Household Hazardous Waste and for the Kindergarten screening.

ITEM 6341

Chambers presented report on Operations and Projects: Electric Department, Projects Completed this Month: Removed street lights on Highway 20 and 212. Brent Hanson completed 4th year of Merchant Journeyman Lineman Correspondence Training Course. Projects in Progress: Tree trimming and overhead line maintenance. Projects Starting Next Month: Infrared thermo scanning of overhead lines, substations and underground equipment by MRES. Gas Department, Projects Completed this Month: Removed snow from around regulator stations and rebuilt tapping equipment. Projects In Progress: Annual business leak survey is 98% complete. Projects Starting Next Month: Annual valve maintenance. Water Department, Projects Completed this Month: 10 main breaks so far for the 2012/2013 season, one hydrant by the entrance of the Ramkota was broke by a hit and run driver. This will be repaired in the spring. Projects in Progress: Updating some of our older meters at the lake. Engineering Tech Department, Projects Completed this Month: 11 One-Call locates Feb. 1 to 21st, 2013. 24 One-Call locates total for January, 2013, 5 emergency locates (2 private contractors & 3 Watertown utilities. Projects in Progress: Updated natural gas distribution maps, Update Electric DS Maps, Update Street Light System Map, Update emergency gas wall map. Projects Starting Next Month: Average 100 One-Call locates in March.

ITEM 6342

Karst presented report on Administration and Financial Statements: Building/Grounds and Purchasing, Projects in Progress: Kevin attended the First Line Supervision Seminar in Plymouth, MN Projects in Progress: G & R ordered parts for our boilers which have been giving us failure alarms, Ordering, receiving and stocking materials. Office, Projects Completed This Month: 13,141 Payments collected with a total of \$4,518,203; Total of 50,848 services billed for a total of \$5,392,498; Major Projects in Progress: Preparing for the 2012 audit. Human Resources/Risk Management: Posted and interviewed for Accountant position, which is being filled due to retirement of Liz Dunn, effective May 20, 2013. Position has been offered to Angie Mitchell, CSR II. Official transition date will be determined at a later date. Information System: Install new IT items for 2013.

Statements of revenue and expenses were presented to the Board for review. Year to date net income is \$207,732 over budget.

ITEM 6343

Motion made by Strait with second by Luken to approve the following verified Salary claims and bills. Motion carried unanimously upon roll call vote. Total Municipal Utilities Dept Net Payroll for February, 2013 Plus ACH Payroll Payments \$361,904.70.

March 1, 2013

Name	Payable Description	Payment Amount
ADVANCED ENGINEERING & ENVIRON.	MELLETT WATER TOWER PROJECT	\$704.00
AFLAC	CANCER PT	\$2,085.19
A-OX WELDING SUPPLY INC	SUPPLIES	\$459.52
ATTACHMENTS INTERNATIONAL INC	18" BUCKET/PIN KIT	\$2,363.20
AUTOMATIC BUILDING CONTROLS	ANNUAL CHECK OF FIRE ALARM SYSTEM	\$658.00
AVANTI FEDERAL CREDIT UNION	CREDIT UNION	\$15,947.53
B & G WELDING INC	ENERGY INCENTIVE REBATE	\$1,190.00
BATTERIES UNLIMITED	SUPPLIES	\$60.00
BELL LUMBER & POLE CO	UTILITY POLES, SUPPLIES	\$13,151.00
BENDIX IMAGING INC	OFFICE SUPPLIES	\$209.98
BENSON, BRIAN	REIMBURSEMENT EXPENSES	\$83.00
BEST BUSINESS PRODUCTS INC TX	COPIER LEASE	\$139.01
BORDER STATES ELECTRIC SUPPLY	WIRE	\$122,213.80
BORNS GROUP	POSTAGE & MAILING	\$7,776.23
BUREAU OF ADMINISTRATION	STATE TELEPHONE NETWORK USAGE	\$87.18
CASHWAY LUMBER INC	ENERGY INCENTIVE REBATE	\$1,079.00
CHAMBERS, TODD	REIMBURSEMENT EXPENSES	\$54.16
CHASE CARDMEMBER SERVICE	CREDIT CARD	\$3,078.11
CITY FINANCE OFFICE	OPEB ACTUARIAL SERVICES	\$3,050.00

CODINGTON-CLARK ELECTRIC COOP.	ELECTRIC SERVICE - NEW WELLFIELD	\$3,010.33
CONNECTING POINT	OFFICE SUPPLIES	\$8,829.00
CONSULTING ENGINEERS GROUP INC	GENERAL SUPPORT-CAPACITOR WORK	\$1,458.00
CREDIT BUREAU OF WATERTOWN INC	COLLECTIONS	\$913.71
CRESCENT ELECTRIC SUPPLY CO	SUPPLIES	\$327.47
DAKOTA DATA SHRED	SHREDDING SERVICE	\$59.90
DAKOTA TERRITORIES CO INC.	TRAFFIC CONTROL SIGNS	\$750.00
DE VILLE, JEFF	REIMBURSEMENT EXPENSES	\$854.63
DEPARTMENT OF REVENUE	WATER SAMPLES	\$377.00
DEROSSETT COMPANY	GAS METERS	\$2,997.34
DETERMAN, JEFF	REIMBURSEMENT EXPENSES	\$42.00
DSG DAKOTA SUPPLY GROUP	ARRESTORS, SUPPLIES	\$6,862.94
DSG DAKOTA SUPPLY GROUP	FREIGHT	\$567.11
DUECO INC	SUPPLIES	\$512.70
ELECTRIC MOTORS & MOORE INC	SUPPLIES	\$288.00
ENERGY LABORATORIES INC	WATER TREATMENT CHEMICALS	\$1,120.00
ENSTAD, DOUG	REIMBURSEMENT EXPENSES	\$105.33
FARNAMS GENUINE PARTS	PARTS	\$191.75
FASTENAL COMPANY	SUPPLIES	\$412.10
FLOORS & MORE	OFFICE SUPPLIES	\$595.00
GAS PRODUCTS SALES	GAS ERTS, SUPPLIES	\$27,414.52
GLACIAL LAKES RADIATOR	RADIATOR	\$37.50
GOLLNICK, DAREN	REIMBURSEMENT EXPENSES	\$42.00
GREAT WESTERN BANK	TASC MED	\$5,934.84
GRIFFIN DEWATERING, NORTH CENTRAL	DEWATERING EQUIPMENT	\$788.00
GROEBNER & ASSOCIATES INC	RISER BRACKETS, SUPPLIES	\$5,636.11
HAWKINS, INC.	WATER TREATMENT SUPPLIES	\$275.00
HD SUPPLY WATERWORKS	WATER TREATMENT SUPPLIES	\$2,248.03
HEDAHLS AUTO PARTS	AUTO PARTS	\$98.80
HUMAN SERVICE AGENCY	EAP SERVICES	\$67.50
IBEW LOCAL 426	UNION DUES	\$3,017.00
INTERSTATE BATTERIES	SUPPLIES	\$57.99
J H LARSON COMPANY	WIRE, SUPPLIES	\$5,273.42
JENKINS LIVING CENTER	ENERGY INCENTIVE REBATE	\$812.50
JONNES, ALEX	REIMBURSEMENT EXPENSES	\$42.00
KILLORAN, JOHN	REIMBURSEMENT EXPENSES	\$42.00
KRUITER, KEVIN	REIMBURSEMENT EXPENSES	\$83.00
LATI FOUNDATION	ANNUAL SCHOLARSHIP FUND DRIVE CONT.	\$5,000.00
LEHNER, STEVE	REIMBURSEMENT EXPENSES	\$128.26
LOCATORS & SUPPLIES INC	SUPPLIES	\$273.86
LUKONEN'S TOOL SERVICE INC	TOOLS	\$496.05
LYLE SIGNS INC	SIGNS, SUPPLIES	\$849.30
M CHEMICAL COMPANY INC	ODORANT	\$23,685.00
MAC'S INC	SUPPLIES	\$145.84
MARCO INC	MAINTENANCE AGREEMENT	\$111.75
MATHISON COMPANY	SUPPLIES	\$774.13
MC KEEVER'S VENDING	SUPPLIES	\$456.68
MEL DAHLE TIRE CO	TIRE REPAIR	\$18.00

MENARDS INC	SUPPLIES	\$762.38
MENNENGA, SHEILA	REIMBURSEMENT EXPENSES	\$204.00
MET LIFE	LIFE INSURANCE	\$1,047.32
MIDCONTINENT COMMUNICATIONS	INTERNET SERVICE	\$105.00
MINNEHAHA COUNTY SHERIFF DEPT	NOTICE OF SMALL CLAIMS	\$26.29
MINNESOTA MUNICIPAL UTILITIES AS.	METER SCHOOL REGISTRATION	\$1,090.00
MONTGOMERY'S FURNITURE	ENERGY INCENTIVE REBATE	\$3,612.50
MUNICIPAL UTILITIES - PC	PETTY CASH	\$672.76
MUNICIPAL UTILITIES-NSF CHECK AC.	REIMBURSE NSF FUND #677-10	\$241.46
MUNICIPAL UTILITIES-REFUND ACCT	REFUND OVERPAYMENT OF FINAL BILLS	\$2,636.67
MY BINDING	BINDING MACHINE	\$339.00
NEW YORK LIFE INS.	LIFE INSURANCE	\$196.00
NORTH AMERICAN SALT COMPANY	BULK SALT	\$3,994.08
NORTHERN TRUCK EQUIP CORP	SUPPLIES	\$1,016.94
NORTHWEST PIPE FITTINGS INC	SUPPLIES	\$201.00
NOVASPECT, INC.	SUPPLIES	\$1,636.50
OFFICE MAX CONTRACT INC	OFFICE SUPPLIES	\$139.99
OFFICE PEEPS	OFFICE SUPPLIES	\$455.47
O'REILLY AUTOMOTIVE INC	AUTO PARTS	\$109.77
PARADIGM UX	WEBSITE HOSTING RENEWAL	\$100.00
PETE LIEN & SONS	BULK LIME	\$11,879.25
PIPEHORN LOCATING TECHNOLOGY	SUPPLIES	\$1,019.00
PRAXAIR DISTRIBUTION INC	CYLINDER RENTAL	\$125.42
PRINT-EM-NOW INC	OFFICE SUPPLIES	\$721.00
REDLINGER BROS PLUMBING &	PARTS, SUPPLISE	\$552.17
RON'S SAW SHOP	SUPPLIES	\$178.71
RUNNING'S SUPPLY INC	SUPPLIES	\$120.94
SCHMIDT, RICHARD	REIMBURSEMENT EXPENSES	\$1,354.32
SD MUNICIPAL ELECTRIC ASSN	CONFERENCE REGISTRATION	\$330.00
SD ONE CALL	LOCATES	\$25.20
SD RETIREMENT SYSTEM	ADDITIONAL CONTRIBUTIONS	\$2,396.57
SENSIT TECHNOLOGIES INC	SUPPLIES	\$172.31
SERVICEMASTER	JANITORIAL SERVICE	\$3,320.00
SHERWIN WILLIAMS CO	SUPPLIES	\$55.74
SIOUX VALLEY CO-OP	FUEL, SUPPLIES	\$7,272.59
STAR LAUNDRY INC	RUG SERVICE	\$279.81
STURDEVANTS AUTO PARTS	AUTO PARTS	\$210.39
TACO JOHNS	ENERGY INCENTIVE REBATE	\$560.00
TITAN MACHINERY- WTN	SUPPLIES	\$58.11
TITAN MACHINERY-SF	PARTS, SUPPLIES	\$396.75
TOP NOTCH FASTENERS	SUPPLIES	\$198.20
UPS	SHIPPING	\$432.97
USA BLUEBOOK	SUPPLIES	\$53.78
VOSS LIGHTING	ENERGY INCENTIVE REBATE	\$4,790.00
WALMART COMMUNITY	SUPPLIES	\$117.08
WATERTOWN FORD CHRYSLER	MOTOR ASSEMBLY	\$36.32
WATERTOWN IND DEV FOCUS WTN	INDUSTRIAL DEVELOPMENT EXPENSE	\$8,690.00
WATERTOWN PUBLIC OPINION	PUBLISHINGS	\$517.21

WATERTOWN PUBLIC OPINION	SUBSCRIPTION RENEWAL	\$130.34
WATERTOWN UNITED WAY	United Way	\$351.00
WELLMARK BLUE CROSS/BLUE SHIELD	HEALTH INSURANCE	\$65,872.06
WELLS FARGO CPG N9720-010	ENERGY INCENTIVE REBATE	\$1,200.00
WESCO DISTRIBUTION INC	SUPPLIES	\$1,878.70
	Total	\$422,355.37

Total February, 2013 422,355.37; Transfer to City General 95,700; Muni Utilities Electric Water Gas 46,345.78; Northern Natural Gas 6,061.20; Missouri River Energy Services Power 1,820,672.36; BP Canada Energy Marketing Natural gas 815,009.24; Dept of Revenue Sales/Excise Tax 243,486.90; CPEP Natural Gas 126,359.10, City Finance Office Garbage Sewer 370,649.10.

ITEM 6344

Pursuant to SDCL 1-25-2(3) Luken moved with second by Strait to move to Executive Session for discussion of contractual matters and pending litigation. The Board does expect to take action when they reconvene to regular session. Motion carried.

Board President declared Executive Session done and they reconvened to regular session.

Motion by Schultz with second by Luken to direct the general manager to notify the Plaintiff of the Board's decision as outlined in executive session regarding the abandoned water service line at 216 8th Ave SE. Motion carried.

Motion by Luken with second by Strait to adjourn. Motion carried.

The Watertown Municipal Utilities Department does not discriminate against the handicapped in employment or admission or access to its programs and activities or the provision of services.

Dated at Watertown, South Dakota this 25th day of February, 2013

ATTEST: _____

Lisa Pahl

Dustin J. Padgett

Executive Secretary

President

Municipal Utilities Board

Municipal Utilities Board