

# MINUTES OF MUNICIPAL UTILITIES BOARD MEETING

Monday February 26, 2018

The Municipal Utilities Board convened in regular session at the Municipal Utilities Board Room 901 Fourth Avenue SW Watertown SD on Monday, February 26, 2018 at 12:00 p.m. with President Dustin Padgett presiding.

Board members present: Dustin Padgett, Mike Luken, John Holley, Greg Solum and Lisa Carrico. Board Liaison, member of City Council, Glen Vilhauer. Staff members present: Steve Lehner, Todd Chambers, Adam Karst, Jeff DeVille, Doug Enstad, Rich Schmidt, Mark Meier, Mark Haider, Kevin Kruiter, Sheila Mennenga, Stephanie Ries, Lisa Pahl, Attorneys David Strait and Vince Foley. Press Dan Crisler, Public Opinion Newspaper and Don Egert KXLG Radio.

## ITEM 7029

Lehner noted that David Strait gave his resignation to Mayor Caron on January 29, 2018 and the Mayor has appointed Lisa Carrico to serve out David Strait's term. Lehner presented resolution of appreciation to outgoing Board Member David Strait.

Motion by Luken with second by Solum to approve resolution for David Strait. Motion carried unanimously upon roll call vote.

### RESOLUTION OF APPRECIATION

WHEREAS, David Strait was first appointed in July, 1997 to the Municipal Utilities Board by the Mayor and City Council of the City of Watertown, South Dakota, and

WHEREAS, David Strait has held 4-five year terms and 6 months of distinguished service working for and in the best interest of the Watertown Municipal Utilities and the Municipal Utilities Board, and

WHEREAS, David Strait has served as president of the Board working willingly and untiringly for the betterment of the Watertown Municipal Utilities and the City of Watertown, South Dakota, therefore

BE IT RESOLVED, that the Members of the Municipal Utilities Board and the entire Watertown Municipal Utilities, take this means to express their deep appreciation and gratitude to David Strait for giving of his time and talents in service to the community, and especially his service to the direction and management of the Watertown Municipal Utilities of the City of Watertown, by his willingness to serve as a Member of the Municipal Utilities Board, and

BE IT FURTHER RESOLVED, that David Strait's friendliness and pleasant personality, as well as his business insight and dedication to the business of the Watertown Municipal Utilities, is recognized and appreciated. Dated this 26<sup>th</sup> day of February 2018.

**ITEM 7030**

Motion by Luken with second by Solum to approve the Agenda with the change by moving Item 6, Approval for General Manager to sign Appendix E - Certification of Compliance with Rate Covenant above Item 5, Resolution to Approve the Use of Excess Water System Surcharge. Motion carried.

**ITEM 7031**

Motion by Luken with second by Holley to approve minutes of regular meeting on January 29, 2018. Motion carried.

**ITEM 7032**

Motion by Luken with second by Solum for approval for General Manager to sign Appendix E - Certification of Compliance with Rate Covenant. Motion carried unanimously upon roll call vote.

**ITEM 7033**

Motion by Solum second by Luken to authorize Board President to sign Resolution #7032. Motion carried unanimously upon roll call vote.

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, 2017 the balance remaining in the surcharge fund was \$1,376,842.90 (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 2017, surcharge collections, or Borrower's Project Income, totaled \$2,520,428.58 and Borrower's Total Debt Service on project totaled \$1,654,640.80 with the difference being \$865,787.78;

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 \$865,787.78 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 26th day of February 2018.

**ITEM 7034**

Motion by Luken with second by Holley to approve the General, Electric, Water and Gas Policy changes as presented in the January 29<sup>th</sup>, 2018 Board Meeting. Revisions by adding a schedule of fees to each policy and rewording areas within the General, Electric, Water and Gas policies directing to this schedule of fees. Also changes to General Policy 29.1 and 32.1. Electric Policy changes Section 6.5 and adding 7.1.5 and changes in section 8.1. Water Policy changes to sections 15.7, 16.1 and 16.2. Gas Policy changes added section 9.6. Motion carried.

**ITEM 7035**

Karst discussed the Banking Service Agreement that the City Council acted on at their February 19<sup>th</sup>, 2018 council meeting with Great Western Bank. Motion by Holley with second by Luken to enter into that one year agreement and to split the banking service fees with the City. Motion carried.

**ITEM 7036**

Motion by Luken with second by Solum to declare as surplus HVAC unit in the Information Technology Room. Motion carried.

**ITEM 7037**

Motion by Luken with second by Holly to approve General Manager to sign an agreement with Johnson Controls to replace the HVAC unit in the Information Technology Room. Motion carried.

**ITEM 7038**

Motion by Solum with second by Carrico for approval for General Manager to sign two agreements with RSM US LLP for Information Technology Service for consulting and service assistance. In our cyber security audit several risk areas of concerns were brought up and some of those concerns we were able to do ourselves and others we need outside help. Motion carried.

**ITEM 7039**

This being the time and place set for consideration of bids, the following were presented. Bids for Installation of Water Main for Roundabout, Substation Distribution Breakers and Bill Processing and Mailing Service. The bids were

opened Thursday, February 22<sup>nd</sup>, 2018 at 1:30 PM by the Watertown Municipal Utilities Staff as authorized by the Board.

INSTALLATION OF WATER MAIN FOR ROUNDABOUT: One bid was received and upon review and recommendation by Chambers, motion by Luken with second by Solum to award bid to low valid bidder AP & Sons Construction, Summit, SD for \$64,460. Motion carried.

SUBSTATION DISTRIBUTION BREAKERS: Two bids were received and upon review and recommendation by Chambers, motion by Luken with second by Solum to award bid to low valid bidder, Electro-Tech & Maintenance, Rapid City, SD for \$286,500. Motion carried

BILL PROCESSING AND MAILING SERVICE: Three bids were received, 1 bid was rejected because it did not meet specs. Upon review and recommendation by Karst, motion by Holley with second by Carrico to award bid to low valid bidder, Borns Group, Aberdeen, SD for a three year total contract price of \$274,665.60. Note: Board Member Luken abstained from any voting. Motion carried.

#### **ITEM 7040**

Motion by Holley with second by Carrico to authorize to return checks of unsuccessful bidders. Motion carried.

#### **ITEM 7041**

Open: Lehner invited the Board to the Bisco luncheon on March 20<sup>th</sup> and he also presented the New 2018 MRES rebate pamphlets and application form.

#### **ITEM 7042**

Chambers presented the Report on Operations and Projects: Electric Department, Projects Completed This Month: Infrared thermal scanning of overhead lines, substations and underground equipment by MRES, Changed 14 rotten poles east of 19<sup>th</sup> St. on 14<sup>th</sup> Ave. NE. Projects in Progress: Working on bid specs for materials. Starting Next Month: Pre-Construction meetings for contractors installing primary and secondary per contract. Gas Department, Projects Completed this Month: Inspected and tested the relief valves at NBPL Station as required annually by the federal code. Projects Starting Next Month: OQ hands-on certifications for spring construction. Water Department, Projects Completed this Month: 9 water main breaks, Low head and backwash pumps in side #1 clear well are being replaced, Replaced mixer blades and grit auger on side #1, Replacing old fluoride tanks on side #1 with double walled tanks. Engineering Tech Department, Projects Completed this Month: 23 One-Call locates Feb. 1<sup>st</sup> - 22<sup>nd</sup>, 37 One-Call locates total January 2018, 15 emergency locates (8 private contractor and 7 WMU). Next Month: Average 40-300 One-Call locates in March depending on weather.

### ITEM 7043

Karst presented the report on Administration and Financial Statements: Purchasing, Accounting and Facilities, Projects Completed This Month: Working on year end financials, acquiring quotes for a new air conditioner in the server room, Purchasing long lead time items for stock for spring construction. Customer Service, Projects Completed this Month: 13,920 payments collected for a total of \$4,646,239 total of 53,338 services billed for a total of \$5,617,926. Human Resources/Risk Management: Completed payroll tax filing process with IRS for 2017, completed new hire orientation for Andy Niemann and Triston Wirtjes. Normal monthly IT maintenance and troubleshooting.

Statements of Revenue and Expenses and Capital Additions were presented to the Board for review. Year to date net income is \$226,822 over budget for the first month ending January 31<sup>st</sup>, 2018. Total Capital Additions are \$56,710 under budget for the first month ending January 31, 2018.

### ITEM 7044

Motion made by Luken with second by Solum to approve the following verified salary claims and bills. Motion carried unanimously upon roll call vote. Total Watertown Municipal Utilities Net Payroll for February 2018 Plus ACH Payroll Payments \$488,407.96.

Name	Payable Description	Payment Amount
March 1, 2018		
ABC EMBROIDERY	SUPPLIES	\$84.15
ACTIVE HEATING INC	SERVICE CALL FOR A/C IN DATA ROOM	\$584.00
AFLAC	CANCER PT	\$1,750.37
A-I COMPUTER SOLUTIONS	SUPPLIES	\$168.15
ALLDATA	SUBSCRIPTION RENEWAL	\$1,500.00
A-OX WELDING SUPPLY INC	SUPPLIES	\$233.19
AP & SONS CONSTRUCTION INC	REPAIR WATER BREAK	\$4,658.85
APPLIED INDUSTRIAL TECH INC	SUPPLIES	\$340.49
AQUA-PURE INC	TRIPOLYPHOSPHATE	\$7,125.00
AUTOMATIC TRANSMISSION & GEAR	SUPPLIES	\$1,717.66
BECKWITH ELEC CO INC	SUPPLIES	\$2,096.88
BENDIX IMAGING INC	HARD DRIVE DESTRUCTION	\$330.00
BENSON, BRIAN	REIMBURSEMENT EXPENSE	\$850.00
BISCO	2018 MEMBERSHIP	\$300.00
BORDER STATES ELECTRIC SUPPLY	SUPLIES	\$12,392.46
BORNS GROUP	POSTAGE & MAILING	\$8,193.98
BRAGE, DOUGLAS J	REIMBURSEMENT EXPENSE	\$50.00
BROWNLEE CONST, INC.	ENERGY INCENTIVE REBATE	\$111.00
BUREAU OF ADMINISTRATION	STATE TELEPHONE NETWORK USAGE	\$102.69
CASHWAY LUMBER INC	SUPPLIES	\$193.28
CENTURY LINK	PHONE SERVICE	\$297.69
CHAMBERS, TODD	REIMBURSEMENT EXPENSE	\$1,367.20
CHAPMAN METERING	SUPPLIES	\$650.00
CHASE CARDMEMBER SERVICE	CREDIT CARD	\$5,624.03

CHEMCO SYSTEMS, LP	SUPPLIES	\$756.03
CHILD SUPPORT PAYMENT CENTER	EMPLOYEE DEDUCTION: CHILD SUPPORT	\$1,656.00
CODINGTON-CLARK ELECTRIC COOP. INC	WELLFIELD ELECTRIC SERVICE	\$4,958.08
CONNECTING POINT	HOSTED SPAM FILTER SERVICE	\$1,274.75
CONSTRUCTION SIGNING CORPORATION	TRAFFIC CONTROL SIGNAGE	\$1,491.00
CORE & MAIN LP	SUPPLIES	\$1,499.71
CREDIT COLLECTIONS BUREAU	COLLECTIONS	\$381.51
CRESCENT ELECTRIC SUPPLY CO	SUPPLIES	\$149.90
CUMMINS CENTRAL POWER LLC	SUPPLIES	\$504.30
DAKOTA BODIES	SUPPLIES	\$244.48
DAKOTA DATA SHRED	SHREDDING SERVICE	\$65.26
DEL-MAR UPHOLSTERY	SUPPLIES	\$200.00
DETERMAN, JEFF	REIMBURSEMENT EXPENSE	\$76.00
DSG DAKOTA SUPPLY GROUP	SUPPLIES	\$2,255.75
DUININCK INC	GRAVEL & ASPHALT	\$5,608.71
EAST RIVER ELEC POWER COOP	2018 SERVICE CONTRACT	\$8,100.00
ENERGY ECONOMICS INC	SUPPLIES	\$2,500.45
ENERGY WORLDNET, INC	OQ COMPLIANCE RENEW	\$3,545.00
ERICKSON, AARON	REIMBURSEMENT EXPENSE	\$166.00
EVOLUTION POWERSPORTS	SUPPLIES	\$30.00
FARNAMS GENUINE PARTS	SUPPLIES	\$206.31
FASTENAL COMPANY	SUPPLIES	\$513.84
FORMAN, CHRIS	REIMBURSEMENT EXPENSE	\$333.77
FORTNA EQUIPMENT CO	SUPPLIES	\$111.00
GAS PRODUCTS SALES, INC	SUPPLIES	\$5,439.85
GREAT WESTERN BANK	TASC MED	\$7,126.32
HACH COMPANY	SUPPLIES	\$1,641.65
HEATH CONSULTANTS INC	SUPPLIES	\$407.65
IBEW LOCAL 426	UNION DUES	\$3,317.00
INFRASTRUCTURE DESIGN GROUP, INC.	HWY 212 WATERMAIN REPLACEMENT	\$1,547.50
J H LARSON COMPANY	SUPPLIES	\$1,444.74
JURGENS PRINTING INC	OFFICE SUPPLIES	\$349.00
KOONS GAS MEASUREMENT	METERS	\$16,845.25
KRUITER, KEVIN	REIMBURSEMENT EXPENSE	\$25.00
LAKE AREA TECH INSTITUTE	ENERGY INCENTIVE REBATE	\$4,854.60
LATI FOUNDATION	2018 SCHOLARSHIP FUND CONTRIBUTION	\$10,000.00
LEHNER, STEVE	REIMBURSEMENT EXPENSE	\$501.89
LOCATORS & SUPPLIES INC	SUPPLIES	\$1,185.38
LUKONEN'S TOOL SERVICE INC	SUPPLIES	\$40.40
LUNDE, JOHN	REIMBURSEMENT EXPENSE	\$121.62
M & T FIRE & SAFETY INC	SUPPLIES	\$46.50
MACKSTEEL WAREHOUSE INC	SUPPLIES	\$76.61
MAC'S INC	SUPPLIES	\$189.92
MARCO INC	COPIER PRINTS	\$336.53
MARK M STROHFUS	SUPPLIES	\$129.08
MATHESON TRI-GAS INC	SUPPLIES	\$109.99
MC KEEVER INC	SUPPLIES	\$227.66
MENARDS INC	SUPPLIES	\$574.64
MENNENGA, SHEILA	REIMBURSEMENT EXPENSE	\$419.00
MET LIFE	LIFE INSURANCE	\$1,413.54
MIDCONTINENT COMMUNICATIONS	INTERNET SERVICE	\$165.00
MIDWEST UNDERGROUND SUPPLY, LLC	SUPPLIES	\$5,844.51
MUELLER CO	SUPPLIES	\$3,332.20

MUNICIPAL UTILITIES - PC	PETTY CASH	\$476.76
MUNICIPAL UTILITIES CREDIT CARD FU	REIMBURSE CREDIT CARD FUND	\$71.40
MUNICIPAL UTILITIES-NSF CHECK ACCO	REIMBURSE NSF FUND	\$518.64
MUNICIPAL UTILITIES-REFUND ACCT	REFUNDS OF CREDITS ON ACCOUNTS	\$6,623.42
NELSON TECHNOLOGIES INC	SUPPLIES	\$179.68
NOVASPECT, INC.	SUPPLIES	\$1,782.62
OFFICE PEEPS	SUPPLIES	\$1,652.89
PAHL, TIMOTHY A	REIMBURSEMENT EXPENSE	\$97.00
PARA UX LLC	2018 WEBSITE HOSTING	\$126.25
PETE LIEN & SONS	PER BID-BULK LIME	\$11,899.20
PETERSON, DELORES	REIMBURSEMENT EXPENSE	\$71.75
PRAXAIR DISTRIBUTION INC	CYLINDER RENTAL	\$151.24
PRINCIPAL FINANCIAL GROUP	DENTAL INSURANCE	\$1,376.86
PRINT 'EM NOW INC	OFFICE SUPPLIES	\$151.00
REDLINGER BROS PLUMBING & HEATING	BOILER REPAIR	\$2,168.84
RESCO	SUPPLIES	\$3,385.70
RONKE, SHANE	REIMBURSEMENT EXPENSE	\$1,490.77
RON'S SAW SALES	SUPPLIES	\$84.51
ROTH, KEENAN M	REIMBURSEMENT EXPENSE	\$239.00
RUNNING'S SUPPLY INC	ENERGY INCENTIVE REBATE	\$6,661.82
SANFORD HEALTH OCCUPA. MEDICINE	SCREENS	\$459.00
SCHAEFFER MFG CO	SUPPLIES	\$515.28
SCHMIDT, RICHARD	REIMBURSEMENT EXPENSE	\$42.52
SD MUNICIPAL ELECTRIC ASSN	25TH ANNUAL CONFERENCE	\$510.00
SD ONE CALL	LOCATES	\$46.20
SD RETIREMENT SYSTEM	2017 ADDITIONAL CONTRIBUTIONS	\$2,852.90
SIOUX VALLEY CO-OP	FUEL, SUPPLIES	\$5,132.98
SPEE-DEE DELIVERY SERVICE INC	SUPPLIES	\$93.81
STAN HOUSTON EQUIP CO	SUPPLIES	\$85.55
STANDBY SYSTEMS INC	PROPANE SYSTEM UPDATE	\$16,480.00
STAR LAUNDRY INC	SUPPLIES	\$753.79
STARR, TANNER E	REIMBURSEMENT EXPENSE	\$25.00
STRUSS, SCOTT	REIMBURSEMENT EXPENSE	\$1,141.99
STURDEVANTS AUTO PARTS	SUPPLIES	\$97.68
TECHNOLOGY FOR ENERGY CORPORATION	SUPPLIES	\$1,086.68
TEREX SERVICES	LINE TRUCK INSPECTIONS	\$10,819.91
TITAN MACHINERY- WTN	SUPPLIES	\$51.82
TRAV'S OUTFITTER	SUPPLIES	\$6,873.00
TYLER BUSINESS FORMS	OFFICE SUPPLIES	\$270.29
TYNDALE COMPANY INC	SUPPLIES	\$55.00
UPS	HANDHELD MAINTENANCE	\$111.10
US PLASTICS CORP	SUPPLIES	\$3,007.28
USA BLUEBOOK	SUPPLIES	\$1,591.19
UTILITY SERVICE CO., INC	WATER TOWER MAINTENANCE	\$233,606.69
WATERTOWN AREA CHAMBER OF COMM.	ANNUAL MEMBERSHIP DUES	\$514.35
WATERTOWN DEVELOPMENT COMPANY	INDUSTRIAL DEVELOPMENT EXPENSE	\$8,690.00
WATERTOWN PUBLIC OPINION	PUBLISHINGS	\$915.62
WATERTOWN PUBLIC OPINION	ANNUAL SUBSCRIPTION	\$146.76
WATERTOWN PUBLIC OPINION	ANNUAL SUBSCRIPTION	\$146.76
WATERTOWN UNITED WAY	United Way	\$419.50
WATERTOWN WHOLESALE	SUPPLIES	\$794.85
WW GOETSCH	REPLACE LOW-HEAD & BACKWASH PUMP	\$48,141.00



Total

\$539,749.80

Total February 2018 539,749.80; Transfer to City's General Fund 103,901, Muni Utilities Electric Water Gas 47,342.80, Northern Natural Gas 6,061.20; Missouri River Energy Services Power 2,186,375.24; BP Canada Energy Marketing Natural Gas 965,654.57; Dept. of Revenue Sales/Excise Tax 271,259.20; CPEP Natural Gas 131,827.50, City Finance Office Garbage Sewer 396,692.51.

**ITEM 7045**

Pursuant to SDCL 1-25-2(3) Solum moved with second by Luken to move to Executive Session for consulting with attorney on contractual matters and pending litigation. The Board does not expect to take action when they reconvene to regular session. Motion carried.

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

Motion by Carrico with second by Solum to adjourn. Motion carried.

The Watertown Municipal Utilities Department does not discriminate in employment opportunities or provision of services on the basis of race, color, religion, sex, national origin, age, disability, or any other characteristic protected by law.

Dated at Watertown, South Dakota this 26<sup>th</sup>, day of February, 2018.

ATTEST: \_\_\_\_\_

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Lisa Pahl  
Executive Secretary  
Municipal Utilities Board

Dustin Padgett  
Board President  
Municipal Utilities Department