

MINUTES OF MUNICIPAL UTILITIES BOARD MEETING

Thursday, February 27, 2014

The Municipal Utilities Board convened in regular session at the Municipal Utilities Board Room 901 Fourth Avenue SW Watertown SD on Thursday February 27, 2014 at Noon with President Mike Luken presiding.

Board members present: Mike Luken, Dustin Padgett, Dave Strait, via teleconference was Wayne Schultz and Ernie Wight. Staff Members present: Steve Lehner, Todd Chambers, Adam Karst, Jeff DeVille, Doug Enstad, Rich Schmidt, Mark Meier, Mark Haider, Sheila Mennenga, Stephanie Ries, Lisa Pahl and Stanton Fox. Press: Don Eggert, KXLG Radio.

ITEM 6470

Motion by Padgett with second by Schultz to approve the Agenda. Motion carried unanimously upon roll call vote.

ITEM 6471

Motion by Strait with second by Schultz to approve minutes of the regular Board meeting on January 27, 2014. Motion carried unanimously upon roll call vote.

ITEM 6472

Motion by Schultz second by Padgett to authorize Board President to sign Resolution #6472. Motion carried unanimously upon roll call vote.

RESOLUTION NO. 6472

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, 2013 the balance remaining in the surcharge fund was \$2,481,539.70 (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 2013, surcharge collections, or Borrower's Project Income, totaled \$2,092,110.03 and Borrower's Total Debt Service on project totaled \$1,654,640.80 with the difference being \$437,469.23;

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 \$437,469.23 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 27th day of February 2014

ITEM 6473

Motion by Strait second by Wight to authorize General Manager to sign Appendix E, certification of compliance with rate covenant. Motion carried unanimously upon roll call vote.

ITEM 6474

Motion by Strait with second by Schultz to authorize calling for bid for Water Meters for the Water Department. Motion carried unanimously upon roll call vote.

ITEM 6475

This being the time and place set for consideration of bids, the following were presented. Bids for Lime Sludge Removal, Wire, Installation of URD primary and secondary, Installation of Overhead primary and secondary, Transformers, Trencher, Electric Meter Test Bench and Poles. The bids were opened Tuesday, February 25, 2014 at 1:30 PM by Municipal Utilities Department Staff as authorized by the Board.

REMOVAL OF LIME SLUDGE FOR WATER DEPARTMENT: One bid was received and upon review and recommendation by Chambers, motion by Strait with second by Padgett to award bid to low valid bidder S.E.Y. LLC of Watertown for \$5.50 per cubic yard. Motion carried unanimously upon roll call vote.

WIRE FOR THE ELECTRIC DEPARTMENT: Six bids were received and upon review and recommendation by Chambers, motion by Padgett with second by Strait to award bid to low valid bidders, Item I, II, III, VII and VIII, WESCO of Sioux City, IA for \$226,556.93; Item IV, V, and VI, Dakota Supply Group of Sioux Falls, SD for \$18,707.31. Motion carried unanimously upon roll call vote.

INSTALLATION OF URD PRIMARY & SECONDARY FOR ELECTRIC DEPARTMENT: Three bids were received and apparent low bidder Engbarth Directional Drilling did not meet specifications. Upon review and recommendation by Chambers, motion by Strait with second by Schultz to award bid to next low valid bidder Engelstad Electric Co. of Watertown, SD for \$247,120.00. Motion carried unanimously upon roll call vote.

INSTALLATION OF OVERHEAD PRIMARY & SECONDARY FOR ELECTRIC DEPARTMENT: Three bids were received and upon review and recommendation by Chambers, motion by Strait with second by Padgett to award bid to low valid bidder Key Contracting Inc. of Fargo, ND for \$279,183.00. Motion carried unanimously upon roll call vote.

TRANSFORMERS FOR ELECTRIC DEPARTMENT: Five bids were received and upon review and recommendation by Chambers, motion by Padgett with second by Wight to award bid to low valid bidders. Item 4, 9, 10, 11 and 12 to Dakota Supply Group of Sioux Falls, SD for total price of \$128,606.00. Item 3, 5, 13, 14, 15 and 16 to RESCO Co. of Moorhead, MN for a total price of \$72,239.00. Item 1, 2, 6, 7 and 8 to Stuart C Irby of Eagan, MN for a total price of \$78,308.00. Motion carried unanimously upon roll call vote.

TRENCHER FOR ELECTRIC DEPARTMENT: One bid was received and upon review and recommendation by Chambers, motion by Strait with second by Schultz to award bid to low valid bidder Ditch Witch of SD of Sioux Falls, SD for a price of \$30,230.00 including trade-in. Motion carried unanimously upon roll call vote.

ELECTRIC METER TEST BENCH FOR ELECTRIC DEPARTMENT: One bid was received and upon review and recommendation by Chambers, motion by Schultz with second by Strait to award bid to low valid bidder Watthour Engineering Co. of Pearl, MS for \$37,735.00. Motion carried unanimously upon roll call vote.

POLES FOR ELECTRIC DEPARTMENT: Two bids were received and upon review and recommendation by Chambers, motion by Padgett with second by Strait to award bid to low valid bidder McFarland Cascade of Tacoma, WA for total price of \$45,434.00. Motion carried unanimously upon roll call vote.

ITEM 6476

Bill stuffers were presented by Lehner they were the Codington County Heritage Museum, Residential Hazardous Waste Disposal and the Kindergarten Screening.

ITEM 6477

Chambers presented report on Operations and Projects: Electric Department, Projects Completed this Month: Energized Transformers for CHS liquid fertilizer plant and John Deere, Bucket Truck inspections completed at Dueco. Projects in Progress: Working with CEG on future load study for electric system, working with CEG on 3rd Ave and 11th St overhead rebuild projects. Gas Department, Projects in Progress: 2014 Valve maintenance required by the code, 2014 Business Leak Survey required by the code is about 70% completed. Water Department, Projects Completed this Month: 13 Main breaks, 1 Main Shut down, 1 Hydrant rebuild. Engineering Tech Department: Projects Completed this Month: 24 One-Call locates February 1 - 24th, 2014, 31 One-Call locates total January, 2013, 12 Emergency locates (8 private contractors & 4 Watertown Utilities), Next Month: Average 30 One-Call Locates in March.

ITEM 6478

Karst presented report on Administration and Financial Statements: Building/Grounds and Purchasing, Projects in Progress: Completed our

routine maintenance of our air handling units, ABC Controls completed our annual inspection of our fire alarm system controls, Titan Machinery completed our annual inspection of backhoes. Projects in Progress: Kevin will be attending the final session of First Line Supervision program in Plymouth, MN. Office, Projects Completed This Month: 13,567 Payments collected with a total of \$5,278,160; Total of 51,320 services billed for a total of \$5,597,539. Projects in Progress: Preparing for the 2013 financial statement audit. Human Resources/Risk Management, Completed payroll tax filing process with IRS, Attended IRS Taxable Benefits Webinar, Preparing for drug testing program audit by Office of Pipeline Safety. Information Systems, Current Projects: Implementing Document Management, Normal monthly IT maintenance.

Statements of Revenue and Expenses and Capital Additions were presented to the Board for review. Year to date net income is \$110,879 under budget for January, 2014. Total Capital Additions is \$12,269 under budget for the first month ending January 31, 2014.

ITEM 6479

Motion made by Strait with second by Padgett to approve the following verified salary claims and bills. Motion carried unanimously upon roll call vote. Total Municipal Utilities Dept Net Payroll for February, 2014 Plus ACH Payroll Payments 381,977.59 Info: S. Catlette 30.15/hr Effective 1/23/2014.

March 3, 2014

Name	Payable Description	Payment Amount
ABC EMBROIDERY	SUPPLIES	\$204.35
ACTIVE HEATING INC	SUPPLIES	\$10.00
AFLAC	CANCER PT	\$2,173.71
ALLDATA	VEHICLE MAINTENANCE SOFTWARE	\$1,500.00
ALPS INC	SUPPLIES	\$529.20
A-OX WELDING SUPPLY INC	SUPPLIES	\$14,647.71
AUTOMATIC BUILDING CONTROLS	FIRE ALARM SYSTEM MAINTENANCE	\$402.90
AVANTI FEDERAL CREDIT UNION	CREDIT UNION	\$15,907.53
BENSON, BRIAN	REIMBURSEMENT EXPENSES	\$42.00
BIERSCHBACH EQUIPMENT	AIR COMPRESSOR	\$15,300.00
BORDER STATES ELECTRIC SUPPLY	SUPPLIES	\$5,145.41
BORNS GROUP	POSTAGE & MAILING	\$8,090.58
BRIAN'S GLASS & DOOR INC	GLASS REPAIR	\$40.00
BUREAU OF ADMINISTRATION	STATE TELEPHONE NETWORK USAGE	\$50.76
CARTNEY BEARING & SUPPLY	SUPPLIES	\$67.67
CASHWAY LUMBER INC	SUPPLIES	\$43.74
CATLETTE,STEPHEN	REIMBURSEMENT EXPENSES	\$42.00
CHAMBERS, TODD	REIMBURSEMENT EXPENSES	\$1,116.98
CHASE CARDMEMBER SERVICE	CREDIT CARD	\$4,690.92
CODINGTON-CLARK ELECTRIC COOPERATIVE	ELECTRIC SERVICE NEW WELLFIELD	\$5,526.06
CONNECTING POINT	COMPUTERS	\$22,234.45
CONSULTING ENGINEERS GROUP INC	3RD AVE & 11TH ST REBUILD PROJECTS	\$10,950.00
CREDIT BUREAU OF WATERTOWN INC	COLLECTIONS	\$871.80
CRESCENT ELECTRIC SUPPLY CO	SUPPLIES	\$716.67
DAKOTA RIGGERS & TOOL	SUPPLIES	\$558.35

DE VILLE, JEFF	REIMBURSEMENT EXPENSES	\$705.71
DEPARTMENT OF REVENUE	WATER SAMPLES	\$442.00
DSG DAKOTA SUPPLY GROUP	METER READING EQUIPMENT	\$28,339.10
DUECO INC	TRUCK ANNUAL INSPECTION	\$3,840.00
ENSTAD, DOUG	REIMBURSEMENT EXPENSES	\$178.88
ETHANOL PRODUCTS LLC	CO2	\$1,585.84
FARNAMS GENUINE PARTS	SUPPLIES	\$411.54
FARWEST LINE SPECIALTIES, LLC	SUPPLIES	\$604.50
FASTENAL COMPANY	SUPPLIES	\$275.77
GAS PRODUCTS SALES	SUPPLIES	\$1,411.25
GRAINGER	SUPPLIES	\$598.40
GREAT WESTERN BANK	TASC MED	\$6,634.29
GROEBNER	SUPPLIES	\$2,527.18
H R GREEN	BRINE DISPOSAL STUDY	\$8,516.75
HAWKINS, INC.	SUPPLIES	\$2,898.84
HD SUPPLY WATERWORKS, LTD	SUPPLIES	\$2,117.34
HEATH CONSULTANTS INC	INSTRUMENT REPAIR	\$286.11
IBEW LOCAL 426	UNION DUES	\$3,247.00
INTERSTATE ALL BATTERY CENTER	SUPPLIES	\$297.77
J H LARSON COMPANY	SUPPLIES	\$1,042.97
KARST, ADAM	REIMBURSEMENT EXPENSES	\$311.85
KOONS GAS MEASUREMENT	SUPPLIES	\$2,719.59
LAKE AREA DOOR INC	SUPPLIES	\$91.76
LEHNER, STEVE	REIMBURSEMENT EXPENSES	\$505.24
LOCATORS & SUPPLIES INC	SUPPLIES	\$1,223.48
LUNDE, JOHN	REIMBURSEMENT EXPENSES	\$98.97
MACKSTEEL WAREHOUSE INC	SUPPLIES	\$178.14
MAC'S INC	SUPPLIES	\$978.46
MAHOWALD'S HARDWARE & RENTAL	SUPPLIES	\$78.40
MARCO INC	MAINTENANCE AGREEMENT	\$240.59
MARCO INC	MAINTENANCE AGREEMENT	\$46.21
MATHESON TRI-GAS INC	SUPPLIES	\$88.14
MATHISON COMPANY	SUPPLIES	\$369.59
MC KEEVER INC	SUPPLIES	\$91.03
MEGGER	REPAIRS	\$280.21
MEIER, MARK	REIMBURSEMENT EXPENSES	\$169.68
MENARDS INC	SUPPLIES	\$1,249.10
MENNENGA, SHEILA	REIMBURSEMENT EXPENSES	\$521.00
MESEBERG, DAVID	REIMBURSEMENT EXPENSES	\$42.00
MET LIFE	LIFE INSURANCE	\$1,092.73
MIDCONTINENT COMMUNICATIONS	INTERNET SERVICE	\$105.00
MIDWEST UNDERGROUND SUPPLY	SUPPLIES	\$374.15
MILBANK WINWATER WORKS	SUPPLIES	\$212.56
MINNESOTA MUNICIPAL UTILITIES ASSN	MEMBERSHIP DUES	\$350.00
MUNICIPAL UTILITIES - PC	PETTY CASH	\$852.63
MUNICIPAL UTILITIES CREDIT CARD FU	REIMBURSE CREDIT CARD FUND FOR GATEWAY	\$71.40
MUNICIPAL UTILITIES-NSF CHECK ACCO	REIMBURSE NSF FUND #14803-0	\$333.00
MUNICIPAL UTILITIES-REFUND ACCT	REFUND OVERPAYMENT OF FINAL BILLS	\$2,310.34
MUTH ELECTRIC INC	METER REPAIR	\$72.33
NELSON TECHNOLOGIES INC	SUPPLIES	\$2,846.73
NEW YORK LIFE INS.	LIFE INSURANCE	\$181.00
NORTHERN TRUCK EQUIP CORP	SUPPLIES	\$1,309.29
NORTHWEST PIPE FITTINGS INC	SUPPLIES	\$4,848.53
NOVASPECT, INC.	SUPPLIES	\$1,276.98
OFFICE MAX CONTRACT INC	SUPPLIES	\$15.49
OFFICE OF ENERGY ASSISTANCE	REIMBURSE ENERGY ASSISTANCE	\$76.14

OFFICE PEEPS	SUPPLIES	\$2,131.82
O'REILLY AUTOMOTIVE INC	SUPPLIES	\$55.96
PETE LIEN & SONS	LIME	\$23,374.63
PRAXAIR DISTRIBUTION INC	CYLINDER RENTAL	\$128.21
PRINT-EM-NOW INC	SUPPLIES	\$46.00
REDLINGER BROS PLUMBING & HEATING	SUPPLIES	\$91.21
RESCO	SUPPLIES	\$7,428.50
ROCHESTER PUBLIC UTILITIES	REGISTRATIONS	\$200.00
RON'S SAW SHOP	SUPPLIES	\$250.20
RUNNING'S SUPPLY INC	SUPPLIES	\$1,139.67
SCHAEFFER MANUFACTURING COMPANY	SUPPLIES	\$1,149.65
SCHMIDT, RICHARD	REIMBURSEMENT EXPENSES	\$1,368.00
SD MUNICIPAL ELECTRIC ASSN	CONFERENCE REGISTRATION	\$357.50
SD ONE CALL	LOCATES	\$32.55
SD RETIREMENT SYSTEM	ADDITIONAL CONTRIBUTIONS	\$2,429.21
SENSIT TECHNOLOGIES INC	SUPPLIES	\$229.00
SERVICEMASTER	JANITORIAL SERVICE	\$3,120.00
SEVERN TRENT SERVICES	SUPPLIES	\$686.41
SHEEHAN CYCLE	SUPPLIES	\$189.95
SHERMAN CANVAS	SUPPLIES	\$35.00
SIOUX FALLS CRANE & HOIST INC	CRANE INSPECTION	\$192.00
STAN HOUSTON EQUIP CO	REPAIR MSA GAS DETECTOR	\$492.03
STANLEY, JUSTIN	REIMBURSEMENT EXPENSES	\$42.00
STAR LAUNDRY INC	SUPPLIES	\$216.36
STRUSS, SCOTT	REIMBURSEMENT EXPENSES	\$42.00
STUART C IRBY CO	SWITCHGEAR BOXES	\$6,650.54
T & R ELECTRIC CO	SUPPLIES	\$104.00
TITAN MACHINERY- WTN	TRUCK REPAIR	\$1,065.53
TITAN MACHINERY-SF	SUPPLIES	\$838.02
TRAV'S OUTFITTER	SUPPLIES	\$177.00
TW SERVICES INC	SUPPLIES	\$310.50
TYNDALE COMPANY INC	SUPPLIES	\$836.95
UPS	SHIPPING	\$107.61
USA BLUEBOOK	SUPPLIES	\$66.14
VESSCO INC	SUPPLIES	\$3,391.86
WALMART COMMUNITY	SUPPLIES	\$148.66
WARBORG, BRYAN	REIMBURSEMENT EXPENSES	\$78.00
WATERTOWN AREA CHAMBER OF COMMERCE	ANNUAL MEMBERSHIP DUES	\$456.97
WATERTOWN DEVELOPMENT COMPANY	INDUSTRIAL DEVELOPMENT EXPENSE	\$8,690.00
WATERTOWN FORD CHRYSLER	SUPPLIES	\$1,471.48
WATERTOWN LAWN & GARDEN	SNOWBLOWER	\$1,100.00
WATERTOWN PUBLIC OPINION	PUBLISHINGS	\$583.66
WATERTOWN UNITED WAY	United Way	\$359.50
WATERTOWN WHOLESALE	SUPPLIES	\$474.17
WELLMARK BLUE CROSS/BLUE SHIELD	HEALTH INSURANCE	\$65,097.89
WESCO DISTRIBUTION INC	SUPPLIES	\$2,886.60
	TOTAL	\$342,758.71

Total February, 2014 342,758.71; Transfer to City's General Fund 95,700; Muni Utilities Electric Water Gas 46,920.24; Northern Natural Gas 6,061.20; Missouri River Energy Services Power 1,995,592.29; BP Canada Energy Marketing Natural gas 1,227,525.00; Dept of Revenue Sales/Excise

Tax 248,438.18; CPEP Natural Gas 180,359.55, City Finance Office Garbage Sewer 368,515.32.

ITEM 6480

Pursuant to SDCL 1-25-2(3) Strait moved with second by Padgett to move to Executive Session for discussion of contractual matters and pending litigation. The Board does not expect to take action when they reconvene to regular session. Motion carried unanimously upon roll call vote.

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

Motion by Strait with second by Padgett to adjourn. Motion carried unanimously upon roll call vote.

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

Dated at Watertown, South Dakota this 27th day of February, 2014

ATTEST: _____

Lisa Pahl

Michael V. Luken

Executive Secretary

President

Municipal Utilities Board

Municipal Utilities Board