

MINUTES OF MUNICIPAL UTILITIES BOARD MEETING

Monday, February 27th, 2017

The Municipal Utilities Board convened in regular session at the Municipal Utilities Board Room 901 Fourth Avenue SW Watertown SD on Monday, February 27th, 2017 at 12:00 p.m. with President Dave Strait presiding.

Board members present: Dave Strait, Dustin Padgett, Mike Luken, John Holley and Greg Solum. 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, Stephanie Ries, Justin Goetz and Lisa Pahl. Press Dan Crisler, Public Opinion Newspaper and Don Egert, KXLG Radio.

ITEM 6895

Motion by Luken with second by Padgett to approve the Agenda with a change by moving 7d Codington Clark Letter up after Item 2 approval of agenda. Motion carried.

Lehner showed the Board a letter that Codington Clark Electric sent in appreciation of the help that we gave them towards the repair of their damaged electric system from the December 2016 storm. Enstad introduced each lineman that helped with this and said we helped with 244 man hours over 4 days.

ITEM 6896

Motion by Luken with second by Padgett to approve Minutes of regular meeting on January 30, 2017. Motion carried.

ITEM 6897

Motion by Luken second by Padgett to authorize Board President to sign Resolution #6897. Motion carried unanimously upon roll call vote.

RESOLUTION

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, 2016 the balance remaining in the surcharge fund was \$1,408,253.47 (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 2016, surcharge collections, or Borrower's Project Income, totaled \$2,551,839.15 and Borrower's Total Debt Service on project totaled \$1,654,640.80 with the difference being \$897,198.35;

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 \$897,198.35 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 2017

ITEM 6898

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

ITEM 6899

This being the time and place set for consideration of bids, the following was presented. Bid for Water Meters. The bids were opened Thursday, February 23rd, 2017 at 1:30 PM by Municipal Utilities Department Staff as authorized by the Board.

WATER METERS: Three bids were received and upon review and recommendation by Chambers, motion by Luken with second by Holley to award bid to low valid bidders, Items 1, 3 and 4 awarded to Dakota Supply Group, Sioux Falls, SD for a total of \$17,450.00, Items 2 and 5 awarded to Metering Technology Solutions, Burnsville, MN for a total of \$24,435.00. Bid amounts for Items 3 and 4 were tied, state law allows preference to in-state suppliers. Motion carried.

ITEM 6900

Open: Lehner presented the bill stuffer, Utility Rate Comparison, which shows the regional costs of utilities. The other bill stuffer is the Watertown School District's Kindergarten/Preschool screening. He also explained the hand-out from Missouri River Energy Services on the Rebate program, this is updated material for 2017. Lehner invited the Board to the Bisco Luncheon on March 9th at Lake Area Vocational School.

ITEM 6901

Board President Strait asked if any Board Member had questions on the Report on Operations as presented in the Board Packet. There were no questions.

Board President Strait asked if any Board Member had questions on the Report on Administration and Financials as presented in the Board Packet. There were no questions.

ITEM 6902

Motion made by Luken 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 2017 Plus ACH Payroll Payments \$473,870.32.

Name	Payable Description	Payment Amount
March 1, 2017		
ABC EMBROIDERY	SERVICE	\$83.30
ACTIVE HEATING INC	SERVICE	\$3,884.56
AFLAC	CANCER PT	\$2,346.52
A-OX WELDING SUPPLY INC	SUPPLIES	\$3,685.60
AUTOMATIC TRANSMISSION & GEAR	SUPPLIES	\$509.21
BATTERIES UNLIMITED INC	SUPPLIES	\$70.00
BENDIX IMAGING INC	COMPUTER SERVICES	\$1,249.96
BERNIE'S TELEPHONE & TECH	PHONE SERVICE	\$75.00
BISCO	MEMBERSHIP	\$300.00
BORDER STATES ELECTRIC SUPPLY	WIRE AS PER BID	\$32,154.73
BORNS GROUP	POSTAGE & MAILING	\$7,916.95
BUREAU OF ADMINISTRATION	STATE TELEPHONE NETWORK USAGE	\$65.70
BURNS, JERRY	REIMBURSEMENT EXPENSES	\$40.00
CENTURY LINK	PHONE SERVICE	\$297.12
CHAMBERS, TODD	REIMBURSEMENT EXPENSES	\$298.97
CHASE CARDMEMBER SERVICE	CREDIT CARD	\$6,813.17
CHILD SUPPORT PAYMENT CENTER	Child Support - Case # 322244010A	\$1,931.00
CITY OF WATERTOWN	2016 CITY ATTORNEY LEGAL SERVICES	\$43,460.00
CODINGTON-CLARK ELEC COOP. INC	WELLFIELD ELECTRIC SERVICE	\$4,889.92
CONCRETE DAKOTA REDI-MIX INC	SUPPLIES	\$159.38
CONNECTING POINT	NEW COMPUTER	\$5,203.00
CONSTRUCTION SIGNING CORP.	SIGNAGE	\$3,760.00
CONSULTING ENGINEERS GROUP INC	RAIL LOOP PROJECT	\$23,336.78
CREDIT COLLECTIONS BUREAU	COLLECTIONS	\$600.15
CRESCENT ELECTRIC SUPPLY CO	SUPPLIES	\$68.28
DAKOTA DATA SHRED	SHREDDING SERVICE	\$91.33
Void		\$0.00
DE NORA WATER TECHNOLOGIES	SUPPLIES	\$372.63
DSG DAKOTA SUPPLY GROUP	WIRE AS PER BID	\$23,111.19
DUININCK INC	GRAVEL & CRUSHED CONCRETE	\$5,781.29
ELECTRIC MOTORS & MOORE INC	SUPPLIES	\$481.00
ELEMENT MATERIALS TECHNOLOGY	PIPE WELD QUALIFICATION	\$225.00
ENERGY WORLDNET, INC	OQ SUBSCRIPTION RENEWAL	\$3,086.00
FARNAMS GENUINE PARTS	SUPPLIES	\$809.07
FASTENAL COMPANY	SUPPLIES	\$3,123.79
G & L DISTRIBUTING, INC	SUPPLIES	\$289.00
GAS PRODUCTS SALES, INC	SUPPLIES	\$24,787.03
GCR TIRE CENTER	SUPPLIES	\$395.62
GRAINGER	SUPPLIES	\$51.80
GREAT WESTERN BANK	TASC MED	\$6,673.06
GROEBNER	SUPPLIES	\$1,947.00
HANSEN, BRENT	REIMBURSEMENT EXPENSES	\$162.73
HD SUPPLY WATERWORKS, LTD	SUPPLIES	\$3,261.96
IBEW LOCAL 426	UNION DUES	\$3,288.00

INTERSTATE ALL BATTERY CENTER	SUPPLIES	\$63.80
J H LARSON COMPANY	SUPPLIES	\$2,309.81
KUNKEL, DEANNA	REIMBURSEMENT EXPENSES	\$40.00
LAKE CITY FIRE EQUIPMENT LLC	EXTINGUISHER MAINTENANCE	\$40.12
LATI FOUNDATION	ANNUAL SCHOLAR. FUND DRIVE CONTR.	\$10,000.00
LEHNER, STEVE	REIMBURSEMENT EXPENSES	\$216.44
LGPRH, LP	REFUND CREDIT	\$6,178.44
LUKONEN'S TOOL SERVICE INC	SUPPLIES	\$253.20
LUNDE, JOHN	REIMBURSEMENT EXPENSES	\$119.70
MACKSTEEL WAREHOUSE INC	SUPPLIES	\$93.50
MAC'S INC	SUPPLIES	\$3,999.95
MARCO INC	COPIER PRINTS	\$359.87
MC KEEVER INC	SUPPLIES	\$383.24
MENARDS INC	SUPPLIES	\$3,039.81
MET LIFE	LIFE INSURANCE	\$1,267.66
MIDCONTINENT COMMUNICATIONS	INTERNET SERVICE	\$105.00
MILBANK WINWATER WORKS	SUPPLIES	\$56.25
MITCHELL, ANGIE	REIMBURSEMENT EXPENSES	\$25.00
MOTION INDUSTRIES	SUPPLIES	\$29.92
MUELLER CO	SUPPLIES	\$99.21
MUNICIPAL UTILITIES - PC	PETTY CASH	\$671.36
MUNICIPAL UTILITIES CREDIT CARD FU	CREDIT CARD FEES	\$71.40
MUNICIPAL UTILITIES-REFUND ACCT	REFUNDS OF CREDITS ON ACCOUNTS	\$4,738.27
NESD SHRM	REGISTRATION	\$20.00
NORTHERN TRUCK EQUIP CORP	SUPPLIES	\$614.03
NORTHWEST PIPE FITTINGS INC	SUPPLIES	\$6,193.52
OFFICE PEEPS	SUPPLIES	\$1,305.79
ONE WILLOW CREEK	ENERGY INCENTIVE REBATE	\$7,196.00
PAHL, TIMOTHY A	REIMBURSEMENT EXPENSES	\$97.00
PARA UX LLC	2017 WEB HOSTING	\$100.00
PETE LIEN & SONS	SUPPLIES	\$6,229.20
PETERSON, DELORES	REIMBURSEMENT EXPENSES	\$339.70
PRAXAIR DISTRIBUTION INC	CYLINDER RENTAL	\$147.95
PRINCIPAL FINANCIAL GROUP	DENTAL INSURANCE	\$1,023.97
PRO LINE INC	SUPPLIES	\$32.32
PSILAB INC	ANALYSIS	\$1,980.30
REDLINGER BROS PLUMB. & HEATING	SERVICE	\$2,253.55
RESCO	SUPPLIES	\$6,271.50
RING-O-MATIC	SUPPLIES	\$1,612.06
RONKE, SHANE	REIMBURSEMENT EXPENSES	\$64.00
RON'S SAW SALES	SUPPLIES	\$130.51
ROTH, KEENAN M	REIMBURSEMENT EXPENSES	\$887.30
RUNNING'S SUPPLY INC	SUPPLIES	\$263.88
SCHUNEMAN EQUIPMENT CO.	SUPPLIES	\$46.16
SD MUNICIPAL ELECTRIC ASSN	CONFERENCE REGISTRATION	\$412.50
SD ONE CALL	LOCATES	\$54.60
SD RETIREMENT SYSTEM	ADDITIONAL CONTRIBUTIONS	\$3,420.01
SERVICEMASTER	JANITORIAL SERVICE	\$3,740.00
SIGN PRO	SUPPLIES	\$296.00
SIOUX VALLEY CO-OP	FUEL, SUPPLIES	\$4,855.35
SOLUS LED	ENERGY INCENTIVE REBATE	\$145.00
SPEE-DEE DELIVERY SERVICE INC	DELIVERY SERVICE	\$81.48
STAN HOUSTON EQUIP CO	SUPPLIES	\$288.65

STAR LAUNDRY INC	RUG SERVICE	\$372.15
STEVE'S WORLD	SUPPLIES	\$132.50
STUART C IRBY CO	SUPPLIES	\$458.65
STURDEVANTS AUTO PARTS	SUPPLIES	\$163.64
T & M AUTOBODY INC	SERVICE	\$829.95
TARGET CORPORATION	ENERGY INCENTIVE REBATE	\$14,685.00
TECH PRODUCTS INC	SUPPLIES	\$234.75
TEREX SERVICES	SERVICE UNIT #29	\$9,987.26
TITAN MACHINERY- WTN	SUPPLIES	\$431.97
TITAN MACHINERY-SF	SUPPLIES	\$899.16
TODD ARCHITECTS LTD	WAREHOUSE ADDITION	\$8,476.60
TYNDALE COMPANY INC	SUPPLIES	\$373.90
UPS	SHIPPING	\$342.04
USA BLUEBOOK	SUPPLIES	\$1,370.08
UTILITIES PLUS ENERGY SERV INC	SUPPLIES	\$8,876.00
UTILITY SERVICE CO., INC	WATER TOWER MAINTENANCE	\$232,447.02
VESSCO INC	SUPPLIES	\$2,643.14
VISION SERVICE PLAN (VSP) (CA)	VISION INSURANCE	\$376.03
WALMART COMMUNITY	SUPPLIES	\$95.10
WARBORG, BRYAN	REIMBURSEMENT EXPENSES	\$48.28
WATERTOWN DEVEL. COMPANY	INDUSTRIAL DEVELOPMENT EXPENSE	\$8,690.00
WATERTOWN FORD CHRYSLER	SUPPLIES	\$180.00
WATERTOWN HOUSING AUTH	ENERGY INCENTIVE REBATE	\$6,010.00
WATERTOWN PUBLIC OPINION	PUBLISHINGS	\$431.93
WATERTOWN PUBLIC OPINION	SUBSCRIPTION RENEWAL	\$146.76
WATERTOWN PUBLIC OPINION	SUBSCRIPTION RENEWAL	\$146.76
WATERTOWN UNITED WAY	United Way	\$456.00
WATERTOWN WHOLESALE	SUPPLIES	\$34.98
WEISMANTEL RENT-ALL	RENTAL	\$57.50
WESCO DISTRIBUTION INC	SUPPLIES	\$5,268.78
WIGHT, ERNIE	REIMBURSEMENT EXPENSES	\$50.00
WINSUPPLY OF WATERTOWN	SUPPLIES	\$555.61
WORTHINGTON INDUSTRIES	ENERGY INCENTIVE REBATE	\$1,370.23
	Total	\$612,042.85

Total February 2017 612,042.85; Transfer to City's General Fund 101,864, Muni Utilities Electric Water Gas 46,500.87; Northern Natural Gas 6,061.20; Missouri River Energy Services Power 2,139,439.57; BP Canada Energy Marketing Natural Gas 814,539.26; Dept. of Revenue Sales/Excise Tax 243,252.07; CPEP Natural Gas 157,329.77, City Finance Office Garbage Sewer 395,746.79.

ITEM 6903

Pursuant to SDCL 1-25-2(3) Luken moved with second by Padgett 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 Strait declared Executive Session done and they reconvened to regular session.

Motion by Luken with second by Padgett 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 27th, day of February, 2017

ATTEST: _____

Lisa Pahl
Executive Secretary
Municipal Utilities Board

Dave Strait
Board President
Municipal Utilities Department