

MUB MEETING
SPECIAL BOARD MEETING

JUNE 4, 2012

10:00 AM

Meeting called to order by President Dan Mayer.

Members present: Dan Mayer, President, Mark Carstenson; Mayor, Dale Olson; Water superintendent. Absent: Ken Sabers

Others present: Rick Bush; Community Development Director, Daniel Ainslie; City Manager, and Greg Barnier; City attorney.

Old Business: Awarding amended bid for Phase 2 of the Water system Improvements as follows the Well House to the RCS Construction, Weston Engineering for the well, TIG Enterprises for the Skata System (well software), and Site works for the Water lines doing alternate 2 and to remove alternate 1 from the bid. Mark Carstensen made a motion and Dan Mayer seconded. Approved.

New Business: discussed the Lazelle Street Borrow resolution and the setting of the rates for 2013. Base rate for water will be lower with the 3 surcharges for the projects will come out of the base rate. Mark Carstensen made a motion and Dan Mayer seconded to approve the resolution subject to the final review.

The MUB discussed sending out a letter to the citizens informing them of the changes with no increase in rates just redistributing the amounts at the time the bills go out.

Dan Mayer made a motion to adjourn the meeting. Mark Carstensen seconded.
Approved.

Dan Mayer, President

Published once at the total approximate cost _____

RESOLUTION RELATING TO CERTAIN DRINKING
WATER FACILITIES IMPROVEMENTS; GIVING
APPROVAL TO THE ISSUANCE AND SALE OF A
REVENUE BOND TO FINANCE, DIRECTLY OR
INDIRECTLY, THE IMPROVEMENTS TO THE
FACILITIES; PLEDGING CERTAIN REVENUES AND
COLLATERAL TO SECURE THE PAYMENT OF THE
REVENUE BOND; AUTHORIZING OFFICERS OF THE
MUNICIPAL UTILITY BOARD TO APPROVE,
EXECUTE AND DELIVER CERTAIN AGREEMENTS
AND DOCUMENTS RELATING TO THE
IMPROVEMENTS AND THE REVENUE BOND

BE IT RESOLVED by the Municipal Utility Board (the "Utility Board") of the
City of Sturgis, South Dakota , as follows:

Section 1. Recitals.

1.01. The City of Sturgis (the "City") is authorized by South Dakota Codified
Laws, Chapter 9-40, as amended (the Act), to acquire land and acquire and construct
improvements and equipment comprising a system of waterworks (the "System") for the
purpose of providing water and water supply for domestic, municipal, and industrial
purposes. Pursuant to South Dakota Codified Laws, Section 9-39-6, the City has, by voter
approval, established the Utility Board to manage and control such services.

1.02. The City has determined that it is necessary and desirable to construct
improvements to the System, consisting of a water main replacement project on Lazelle
Street (the "Improvements"). The City is authorized to issue its revenue obligations
under SDCL, Chapters 9-40 and 6-8B, in order to finance a portion of the cost of the
Improvements, and to make all pledges, covenants and agreements authorized by law for
the protection of the holders of the obligations, including, without limitation, those
covenants set forth in SDCL, Sections 9-40-16 and 9-40-17. The obligations are to be
payable from the Net Revenues of the Improvements, as defined in Section 2.03 hereof.

1.03. The City has applied for a loan from the South Dakota State Revolving
Fund, to be evidenced by the execution and delivery of a Revenue Obligation Loan
Agreement (the "Loan Agreement") between the South Dakota Conservancy District (the
"District") and the City, and the City will pledge the loan payments thereunder for the
security of the State Revolving Fund Revenue Bond of the City (the "SRF Bond") and
the interest thereon. The Chairman and Vice Chairman of the Utility Board are hereby
authorized and directed to execute and deliver the Loan Agreement for and on behalf of
the Utility Board in the form and content submitted to the Utility Board, with such
changes that are not substantive as the Attorney for the City deems appropriate and

approves, and upon execution to deliver the same to the Finance Officer of the City of Sturgis for approval by the City Council and execution by the Mayor. The President and Secretary are hereby further authorized and directed, in cooperation with the City staff, to implement and perform the covenants and obligations of the City as set forth in or required by the Loan Agreement and are authorized and directed to execute and deliver such other agreements, certificates or documents as may be required by the City's bond counsel or the District in connection with the issuance of the SRF Bond.

Section 2. Security Provisions.

2.01. Rates and Charges. The Utility Board will maintain, revise, charge and collect rates and other charges for all service furnished and made available by the Improvements, according to schedules such that the gross revenues derived therefrom will be sufficient, when combined with other available funds, to pay when due all expenses of the operation and maintenance of the Improvements, and all principal of and interest on the Bond, to provide for the establishment and maintenance of adequate reserves, to provide an allowance adequate for recurring renewals and replacements of the Improvements, to satisfy the rate covenant provided in the Loan Agreement and to fulfill the terms of all other agreements with holders of the Issuer's bonds. The rates and charges with respect to the Improvements shall be in the form of a separately stated surcharge on the municipal utilities rate schedule; in calculating the surcharge the Utility Board shall allocate to the Improvements its share of the expenses of operation and maintenance and allowances for renewal and replacement as well as the requirements to pay principal of and interest on the Bond and to repay the Utility or any other funds of the City for moneys advanced.

2.02. Surcharge. The Utility Board hereby establishes the following rates and charges as the initial surcharge for the Loan Agreement and SRF Bond, and agrees that it will periodically review the adequacy of such rates and charges and increase the same as necessary so that the surcharge will at all times be sufficient for the purposes set forth in Section 2.01:

[2012 SRF Bond Surcharge: \$3.80 per user.][See Exhibit A attached]

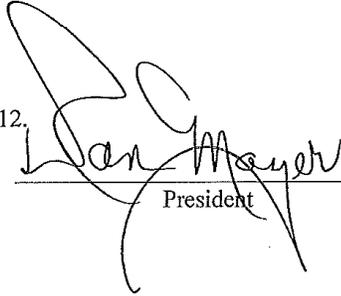
2.03. Surcharge Net Revenues. All gross revenues derived from the operation of the Improvements are irrevocably pledged and appropriated and shall be credited to the City's Water Utility Fund (the "Water Fund") as received. From such gross revenues shall be credited to the Operations Account established within the Water Fund amounts sufficient to pay the operating expenses of the Improvements, which are the current expenses, paid or accrued, of operation, maintenance and current repair of the Improvements, calculated in accordance with generally accepted accounting principles, and shall include, without limitation, administrative expenses of the City relating solely to the Improvements, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of appropriate reserves for current expenses which are not recurrent

monthly but may reasonably be expected to be incurred in accordance with generally accepted accounting principles. The Net Revenues of the Improvements, as referred to in this Resolution, are hereby defined to include the entire amount of such gross revenues remaining after crediting to the Operating Account the amount required to pay the operating expenses, including sums required to maintain an operating reserve equal to one month's estimated operating expenses. The Utility Board reasonably anticipates that the gross revenues to be received from the operation of the Improvements during the period for which the Loan Agreement will be in force and the SRF Bond will be outstanding will be more than sufficient to provide Net Revenues adequate to pay principal of and interest on the SRF Bond when due, and to satisfy the requirements of the Loan Agreement. The Net Revenues of the Improvements shall be credited first to the Revenue Bond Account established within the Water Fund and any excess shall be credited and applied as provided in the City's resolution authorizing the execution and delivery of the Loan Agreement and the issuance of the SRF Bond.

Section 3. Additional Utility Obligations. This Utility Board acknowledges that the Loan Agreement may contain provisions limiting the City's ability to issue or incur additional obligations payable from the Net Revenues of the Improvements while the SRF Bond is outstanding. The Utility Board will not approve or participate in the issuance of any additional obligations payable from the Net Revenues of the Improvements unless the conditions set forth in the Loan Agreement for issuance of such additional obligations have been satisfied.

Section 4. Tax and Arbitrage Matters. The Utility Board covenants and agrees that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest on the SRF Bond to become subject to taxation under the Internal Revenue Code of 1986, as amended (the "Code") and any regulations issued thereunder (the "Treasury Regulations"), in effect at the time of such action, and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to insure that the SRF Bond will not become subject to taxation under the Code and the Treasury Regulations, as presently existing or as hereafter amended and made applicable to the SRF Bond. The Utility Board represents and covenants that the City is, and will be, the owner of the Improvements and use them for its municipal functions. So long as the SRF Bond is outstanding, the Utility Board will not enter into any lease, use agreement or other contract or agreement respecting the Improvements which would cause the SRF Bond to be considered a "private activity bond" or "private loan bond" pursuant to the provisions of Section 141 of the Code.

Adopted this 5th day of June, 2012.



President

ATTEST:

Bew Johnson
Secretary

CERTIFICATE

The undersigned, being the duly qualified and acting Secretary of the Utility Board of the Sturgis Municipal Utilities, hereby certifies that the above resolution is a true and correct copy of the resolution as adopted by the Utility Board on June 5, 2012.

WITNESS my hand officially as such Secretary this 5th day of June, 2012.

Bew Johnson
Secretary

Expenses	
Murray Addition	\$ 61,302.00
10%	\$ 6,130.20
GO Bond	\$ 33,402.00
Phase 1 & 2	\$ 145,893.12
10%	\$ 14,589.31
Lazelle St.	\$ 146,413.80
10%	\$ 14,641.38
Total Debt Payments	\$ 422,371.81

2013 Budget	
2013 Income	\$ 1,372,679.32
2013 Debt Payments	\$ 422,371.81
2013 Net Income	\$ 950,307.51

Additional Income	
Permits	\$ 8,600.00
Misc. Revenue	\$ 29,000.00
Bulk Water	\$ 11,700.00
Other - Reconnect	\$ 20,500.00
2013 Available Operating	\$ 1,020,107.51

Income	
3,584 Customers in July 2011	
3,478 Customers in January 2011	
3,531 Customers per month average in 2011	
\$ 459,312 2011 Income from Base Rate	
\$ 588,549 2011 Income from Useage	

Annual Income		
2012 Surcharge		
\$1.66 Murray		\$70,337.52
\$4.60 Phase I & II		\$194,911.20
2012 Base Rate		
\$11.34		\$480,498.48
2012 Useage		
\$2.45		\$ 626,932.12
2012 Total Income		\$1,372,679.32

2013 Surcharge		
\$ 1.59 Murray	\$	67,432.20
\$ 3.79 Phase 1 & 2	\$	160,482.43
\$ 3.80 Lazelle	\$	161,055.18
2013 Base Rate		
\$ 8.42	\$	356,777.39
2013 Useage		
\$2.45	\$	626,932
2013 Total Income		\$ 1,372,679.32

EXHIBIT A