

MINUTES OF THE SPECIAL

MUNICIPAL UTILITY BOARD

AUGUST 31, 2011

Board meeting called to order by Chairman Chris R. Mechling.

Board Members Present: chairman Mechling, Dan Mayer. Ken Sabers by Phone.  
Others present: Randy Nohava, Public Works Director, Kelly Vasknetz, City Council Representative, Dale Olson, Water Operator Supervisor, Mayor Mark Cartenson, and Brian Tideman, CETC.

Meeting called was called to order to adopt the Resolution for issuance of Project Revenue Bond in the amount of \$3,615,000 with the surcharge.

A motion was made by Dan Mayer to approve the Resolution with the surcharge of \$4.60 to begin on January 1, 2012. Ken Sabers seconded the motion. Approved.

Motion was made by Dan Mayer and seconded by Ken Sabers to adjourn the meeting. Approved.



Chris R. Mechling, President

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Final Reading of the 2012 budget was discussed. Dan Mayer made a motion to approve the final reading. Ken Sabers seconded. Approved.

Ken Sabers made a motion & Dan Mayer seconded to raise the funding request for Community Development from \$26,000.00 to \$30,000.00 for the 2012 year. Approved.

Chairman Chris R. Mechling read the DENR news release recognizing the City of Sturgis Public Water System for Drinking Water Compliance. To qualify for the Drinking Water Certificate of Achievement award, public water systems and their operators had to meet the following requirements for 2010. Compliance monitoring, drinking water standards, distribution Drinking Water reports, lead/copper action levels and comply with operator certification requirements.

Ted Schulz, CETC updated the MUB on the RD funding and the tentative Project schedule for the 2011-2012 Sturgis Water Department.

Community Development Report was given by Rick Bush. Sam Patterson service line leak has been repaired. The developers are moving forward with Assisted Living building.

The meeting of the MUB will be rescheduled from August 10 to August 17 at 8:00 AM because of the Sturgis Rally in the downstairs meeting room.

Ken Sabers made a motion to adjourn the meeting. Dan Mayer seconded the motion. Approved.

No executive session.



Chris R. Mechling  
President

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RESOLUTION NO. 2011-01

**RESOLUTION RECOMMENDING APPROVAL TO THE ISSUANCE BY THE CITY OF STURGIS, SOUTH DAKOTA OF ITS WATER SYSTEM PROJECT REVENUE BOND IN AN AMOUNT NOT EXCEEDING \$3,460,000 TO FINANCE CONSTRUCTION OF IMPROVEMENTS TO THE WATER SYSTEM OF THE CITY, PROVIDING FOR A SURCHARGE FOR IMPROVEMENTS TO DRINKING WATER SYSTEM, FOR PAYMENT OF PROJECT REVENUE BOND WITH YEARLY REVIEW OF RATE AND APPROVING THE EXECUTION OF A LOAN AGREEMENT BY THE UTILITIES BOARD**

WHEREAS, the City of Sturgis, South Dakota (the "City") is authorized pursuant to SDCL § 9-40-1, et seq., to construct, operate and improve drinking water systems; and

WHEREAS, pursuant to SDCL § 9-39-6 et seq., the City of Sturgis, South Dakota (the City") has placed the management and control of the City's drinking water system (the "Water System") in the hands of the City of Sturgis Municipal Utilities Board (the "Utilities Board"); and

WHEREAS, the Utilities Board has determined that it is necessary and in the best interests of the City to make certain improvements to the Water System, such improvements being more fully described in *Exhibit A* attached hereto (the "Project"), and to finance up to \$3,460,000 of the costs thereof through the issuance by the City of its water system revenue bond (the "Series 2011 SRF Bond") through a borrowing from the South Dakota Drinking Water State Revolving Fund Loan Program (the "SRF Loan Program") administered by the South Dakota Conservancy District pursuant to SDCL 46A-1-49; and

WHEREAS, pursuant to SDCL 9-40-15, the Utilities Board does hereby adopt a surcharge to repay the principal of and interest on such revenue bond; and

WHEREAS, a resolution authorizing the issuance of the Series 2011 SRF Bond under the terms available under the SRF Loan Program (the "Proposed Resolution") has been prepared and approved; and

WHEREAS, as a condition of its purchase of the Series 2011 SRF Bond, the South Dakota Conservancy District requires that the Utilities Board become a party to the loan agreement (the "Loan Agreement") to be executed in connection with the Series 2011 SRF Bond;

NOW, THEREFORE, it is hereby resolved by the Utility Board of the City of Sturgis as follows:

Section 1. **Authorization of Series 2011SRF Bond.** The Board hereby requests that the Sturgis City Council adopt the Proposed Resolution to authorize the issuance of the Series 2011 SRF Bond, and to take such other steps as deemed necessary complete the issuance of the Series 2011SRF Bond.

Section 2. **Authorization of Officers.** The Chairman and Vice Chairman are hereby authorized and directed on behalf of the Utilities Board to execute the Loan

Agreement, and to execute such other documents and take such other steps as are reasonably necessary or required in connection with the purchase of the Series 2011 SRF Bond by the South Dakota Conservancy District.

- Section 3. **Surcharge for Bond Issue.** There shall be charged a monthly surcharge for the services provided by the improvement financed by the Borrower Bond, Series 2011 SRF. The surcharge shall be segregated from other revenues of the utility and shall be used for the payment of the revenue bonds. Provided that such surcharge shall create net income, remaining from time to time after first paying all reasonable and current expenses of maintenance, repairs, replacements and operation, sufficient to fund interest, reserve and debt service fund annual requirements.
- Section 4. **Rates and collection.** The Utility Board does hereby establish the special charge or surcharge payable by each customer of its System who receives or benefits from the services of the Project. Such charge or surcharge shall be set at a level which, assuming a 10% delinquency rate, will produce income at the times and in amounts sufficient to pay when due the principal of and interest on the Borrower Bond, Series 2011 SRF and the administrative expense surcharges and all other payments as may be required under the loan agreement and Borrower Bond, Series 2011 SRF.
- Section 5. **Borrower Bond, Series 2011 SRF Surcharge.** The following water debt service surcharge shall be applicable to all customers who benefit from the Project whether in or out of the city or whether retail or sales or resale:
- Borrower Bond (Drinking Water) Series 2011 SRF Surcharge: \$4.60 per account, per month, beginning January 1, 2012.
- Section 6. This surcharge shall remain in effect until such time as the revenue bonds are discharged. The initial surcharge shall be collected at the same time as other charges of the Drinking Water System. The surcharge is found to be equitable for the services provided by the improvement.
- Section 7. **Segregation.** The debt service surcharge shall be segregated from other income of the Drinking Water System in a separate account and is pledged to the South Dakota Conservancy District for the payment of the loan payments on the Borrower Bond, Series 2011 SRF.
- Section 8. **Yearly review.** The amount of the surcharge shall be reviewed from year to year and may be modified in order to provide such funds as are set forth herein. The charges shall be reviewed yearly by city personal and administratively adjusted, upwards or downwards, pursuant to SDCL § 9-40-15 to such amounts as may be necessary to pay principal, interest, administrative surcharge and other charges as may become due and owing under the Borrower Bond, Series 2011 SRF.
- Section 9. **Billing and Accounting.** The surcharge shall be included in the monthly user water bill. Nothing contained herein requires the surcharge be indicated on the billing, however, the surcharge segregation shall be indicated on the books of the City.
- Section 10. **Surcharge not to create constitutional indebtedness.** The charges provided herein are for the purpose of paying the Borrower Bond, Series 2011 SRF of the City which do not constitute indebtedness within the meaning of South Dakota Constitutional Chapter XIII Section 4.

Section 11. If any one or more of the provisions of the shall be held invalid, illegal, or unenforceable in any respect, by final decree of any court of lawful jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision hereof.

Dated at Sturgis, South Dakota, this 31 day of August, 2011.

APPROVED:

Clair R. Muehlen

Chairman

ATTEST:

Beverly J. Johnson  
Secretary

## TO: Sturgis Water System Customers

As many of you may already know, the Water Department has begun Phase 1 of a two stage project to provide needed long-term maintenance and upgrades to the Sturgis Water System. This project has been undertaken after careful consideration by the Water Board and the City of Sturgis the long term need for upgrades to the system and the unique opportunity for the issuance of low-cost bonds. The decision to move forward with this work is based upon these two goals:

1. To continue to provide top-quality water services to the residents of Sturgis
2. To continue to use the most cost-effective means available to ensure ample supplies of drinking water to meet the current and future needs of the Sturgis community.

With the completion of the Murray Addition project in 2011, and the commencement of the first of two phases of a major update of the entire water system financed through Rural Development bonds, the City has committed to bonded indebtedness of nearly \$3.8 million. The first phase which has included Fulton Street from Harmon Street to Park Street has been completed along with the Hospital Area Water Main Replacements. Construction will resume spring of 2012 for water main replacement on Davenport, Marshall, Baldwin, and Glover.

By acting this year, the necessary financing has been obtained at historically low rates. Unfortunately, an additional monthly surcharge of \$4.60 will be reflected in the January 2012 bill due February 15 along with an increase of the base rate from 10.84 to 11.34 and an increase in the metered usage from \$2.30 per 1,000 gallons to \$2.45. The commercial rate will increase from \$2.50 per 1,000 gallons to \$2.75 per 1,000 gallons with the base increasing from \$10.84 to \$11.34. The rate increase is set at the lowest level projected to repay the financing obligation for the needed maintenance and updates to the water system. Despite that increase, the citizens of Sturgis will still have one of the lowest overall rates for water service in the entire state.

When you receive your monthly bill due February 15 the new rate and surcharge amount will be shown. If you have any questions about calculations shown on your bill, don't hesitate to contact Tammy or Bev at the Water Department, #347-4425. Thank you for your courtesy and cooperation as the Water Department moves forward with these improvements.

Dale Olson

Water Superintendent