

UTILITY OPERATING AGREEMENT

The parties to this agreement are the Municipal Utility Board, also known as the City Water Board and referred to herein as "MUB", and the City of Sturgis, referred to herein as "City". The parties to this agreement acknowledge the decision by the residents to establish the MUB through the election which occurred in 1977 and are setting out in written form all the terms and conditions necessary to establish a written operating agreement so as to be in full compliance with SDCL 39-9-24. In light of the development of the city water system, and the desire of the parties to continue their history of cooperation for the benefit of all Sturgis residents as well as all customers of the Water Department, the parties agree as set forth hereafter.

1. PUBLIC RECORDS: The parties agree that as required by SDCL 1-27-1 the City Finance Office will be designated as the public office to receive for filing, and make available to the public with other official records, the records of the Municipal Utility Board. Such records shall include a copy of the Public Notice, Meeting Agenda, and minutes of all past Municipal Utility Board meetings. In addition, current and future Meeting Notices will be provided to the City Finance Office at least 24 hours prior to meeting to be posted in a public place as required by SDCL 1-25-1.
2. BARGAINING AGREEMENT: The parties to this agreement acknowledge that this Operating Agreement does not in any way change or modify the bargaining agreement currently in place between Operating Engineers Local Union # 49 and the City of Sturgis.
3. OFFICE SPACE: The parties acknowledge that the Water Department will continue to have office space for the Water Department located within City Hall for as long as the Municipal Utility Board finds it necessary. This understanding reflects that the provision of office space was part of that agreement with the City when funds and other assets under the management of the MUB were transferred to the City to help fund the construction of the current City Hall. The purpose was to enable residents to have easy access to pay their bills in person at the Water or Finance Department office if they chose.
4. CITY SUPPORT SERVICES: The parties to this agreement acknowledge that the City Finance Office will continue to handle the accounting of the Water Department payables, payroll preparation, documentation of health and vacation benefits for all Water Department employees, and will continue to handle Water Department refunds and electronic transfers for the Department, audit and deliver daily deposits and Bulk Water Sales revenue, and provide daily verification of cash drawer amount. In addition, the City Finance Office will upon request prepare periodic Budget summaries for use by the Municipal Utility Board at their monthly meeting. The City Finance Office will also provide assistance preparing the Annual Report required by SDCL 9-39-29, the annual Department budget, and other professional services as the Department may need to meet Budget and Audit Standards. Upon approval for payment

by the Municipal Utility Board, all payables will be submitted to the City Council for final approval and prompt payment by the City Finance Office.

5. DEPOSIT RECORDS: The parties agree that the daily deposits of funds paid to the Water Department will continue to be delivered to the City Finance Office for recording and deposit with the City's designated depository bank. In continuing these accounting practices the parties confirm their understanding that this process is consistent with the requirements for accounting and fund management required by the language of SDCL 9-39-26 and SDCL 9-39-27.

6. DEPARTMENT SUPPORT SERVICES: The parties to this agreement acknowledge that the Water Department will continue to provide billing for City Sewer and Sanitation charges.

7. CONTRACT MANAGEMENT; The parties agree that the City Finance Office will continue to monitor payment requests for construction projects, grant programs or similar disbursements of outside funding resources that have been approved by the Municipal Utility Board. The City will make payment on those amounts as required after final approval by the City Council.

8. EMPLOYEES: The parties to this agreement acknowledge that all Water Department employees are under the direct supervision of the Superintendent of the Water Department. In addition, the Personnel Policies of the City, which have been approved in the past by the Municipal Utility Board, and the terms of the negotiated agreement will govern all aspects of the management of Department employees, including hiring, compensation, benefit package provided, promotion, demotion, suspension and, when required, termination. The parties agree that Water Department employees and the Water Superintendent will continue, as City employees subject to the requirements of SDCL 9-10-9, to participate in all elements of the employee benefit and retirement program set forth in the Personnel Policies of the City of Sturgis, including Workers Compensation Insurance, Unemployment insurance and General Liability insurance coverage. The Water Superintendent will continue to report to the Municipal Utility Board at each monthly or other meeting of the Board. The parties further agree that the agreement between Operating Engineers Local Union #49 and the City, as well as the City Personnel Policies, will govern the supervision of Water Department employees. This includes compensation rates, the benefit package provided, hiring, promotion, demotion, suspension and, if necessary, termination. The parties anticipate that the resources required to meet Water Department expenses will continue to be derived in from Water Department revenue received from the sale of water, as well as the associated fees and charges established by the regulations of the Municipal Utility Board.

9. WATER SUPERINTENDENT: The parties agree that as a supervisory employee the Superintendent is an "at will" employee. The parties agree that to facilitate the efficient use of City resources the Water Superintendent will participate in all Department Head meetings, at City Council meetings when necessary for items on the Council Agenda, or at other meetings as necessary.

10. BUDGET TRANSFER: The parties to this agreement acknowledge that in return for Financial Administration and other accounting services provided by the City Finance Office, the Water Department Fund may show a fund transfer. This transfer will reflect the requirements of the annual City Budget Ordinance. It shall include but not be limited to payroll and financial administration services from the City Finance Office, and the Water Department providing billing/collection services for City sewer and garbage charges, in the party's effort to provide the most cost-effective water services to customers of the Sturgis Water Department.

11. FINANCING: The parties agree that the City Finance Office and the Water Department will coordinate the review of any necessary documents for the approval of financing, bonding, loan applications or grant requests/applications by the City for improvements approved by the Municipal Utility Board and approved by the City Council.

12. ASSETS: The parties to this agreement acknowledge that the Inventory, equipment, supplies and all other assets used or maintained by the Water Department employees in the performance of their employment duties are under the supervision of the Water Superintendent as described in the personnel policies of the City, although they remain the assets and property of the City of Sturgis.

13. BUDGET PLANNING: The parties farther acknowledge that the Water Department will submit its portion of the initial City Budget for the following year by June 1st of each year, unless the deadline is extended.

14. RATES: The parties recognize that Title 17 of the current City Ordinances gives the Municipal Utility Board the primary role is establishing water rates. To facilitate a more coordinated effort for developing the annual Budget, the parties agree that the MUB will give a minimum of 45 day's notice to the City Finance Office and City Manager prior to the effective date of any proposed increase in or surcharge to the current rate structure.

15. REPORTING: The parties agree that an annual report from the Water Board to the City Council is required by SDCL9-39-29. To ensure adequate time for preparation of the Annual Report, ail necessary information and other financial records for the preceding calendar year, together with the Annual Report, will be provided to the City Finance Office by January 31st of each year. All projected Capital Improvements and projected rate increases for the following year, which also appear in Municipal Utility Board meetings minutes, will be included in the Annual Report.

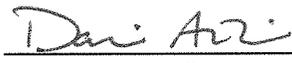
16. MISCELLANEOUS: The parties agree that in the event that the City should find it necessary to separately construct or acquire any capital improvements to the City Water System, upon completion or acquisition that improvement will become part of the City water system.

17. ENTIRE AGREEMENT: The parties recognize that the terms and provisions contained in this document, and the applicable City Ordinances, constitutes the entire agreement authorized by SDCL 9-39-24, and will supplant and replace the prior Operating Agreement and any and all discussions and negotiations which took place prior to the signing of this Agreement. When signed, this Agreement shall be effective from the date of signature by both parties through the 31st day of December, 2018.

Dated this 18th day of February, 2014



Mr. Mark Carstensen
Representative, Municipal Utility Board.



Mr. Daniel Ainslie
Sturgis City Manager