

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding, entered into this _____ day of _____, 2003, is to outline the understanding between the City of Rapid City ("City") and the Cleghorn Springs Water Association ("District").

RECITALS

Whereas, the District is a privately owned water system located in the west side of the Rapid City; and

Whereas, the District currently provides low pressure water for approximately 56 customers. Approximately 38 of the 56 customers use the water for domestic and irrigation purposes and approximately 18 use the water exclusively for irrigation; and

Whereas, the District has a year round water right for 0.89cfs of water from Cleghorn Springs; and

Whereas, the District's existing water collection, disinfection, and distribution system has reached it's useful life; and

Whereas, the District will need to expend a sizeable amount of capital to upgrade their system in order to remain in operation; and

Whereas, the City is interested in protecting and maintaining a reliable and quality water supply and for this reason the City wishes to acquire the District's 0.89cfs water right from Cleghorn Springs; and

Whereas, the District's water customers are within the City of Rapid City and are within the City's current water service area; and

Whereas, in order for the District's customers to be provided water service by the City, minor improvements to the City's distribution system will be needed and water service lines extended to the District's customers. These improvements are outlined in the, "Preliminary Engineering Report for Cleghorn Springs Water District Rapid City, South Dakota", dated May 2003 and prepared by Ferber Engineering Company, Inc.

Now, therefore, for and in consideration of the mutual promises, covenants, and conditions herein set forth, it is agreed as follows:

1. The District will have their engineering consultant (Ferber Engineering) prepare plans and specifications for the, "Schamber Addition (Cleghorn Springs Water Association) Watermain Extension"; Project No.: W03-1286 as outlined in the, "Preliminary

Engineering Report for Cleghorn Springs Water District Rapid City, South Dakota”, dated May 2003 and prepared by Ferber Engineering Company, Inc. The construction project will consist of watermain extensions, abandonment of the existing Cleghorn water system, and the extension of copper water service lines with curb-stops from City water mains to each of District’s domestic customer’s property line.

2. The individual property owners (the District’s customer switching over to the City system) will be responsible for the installation of water service lines from the curb-stop to their home. In addition to the installation costs associated with this service line, any and all other plumbing modifications necessary for the connection to the City system will be the responsibility of the property owner.
3. The City will bid, administer, and construct the Cleghorn Springs Water District project outlined in the preliminary design report and estimated to cost \$235,000 of which \$60,000 is for existing operational needs.
CITY 5/16/03
4. The City, in addition to bidding and constructing the water project identified above, will compensate the District an estimated \$131,000 for the water rights. The \$131,000 is based on the following estimates \$9,000 for Engineering costs and \$122,000 based on 38 new water accounts and 56 existing District accounts.
5. The City will advance \$20,000 to the District of the estimated \$131,000 at the time construction plans and specifications have been completed and accepted by the City. The remaining estimated \$111,000 less impact fees (estimated at \$38,000) will be paid after City award of the Construction project as indicated in items #3.
6. The total identified costs are estimated at \$386,000 of which an estimated \$131,000 is a cash payment to the District, \$20,000 is existing District funds, and \$235,000 is for project construction.
7. Under the above terms, the District will transfer all right title and interest in their Cleghorn Spring’s water rights and the Cleghorn Springs Collection Gallery to the City.
8. This agreement shall be binding on the heirs, devisees, and assigns of each party.
9. This written document encompasses the entire agreement of the parties. Any and all prior discussions between the parties are merged into this document or intentionally omitted. No other promises or consideration, whether written or oral, are a part of this agreement.

