

1509 Copperdale Ct.
RAPID CITY, SD 57703
April 27, 2004

Attn: Rapid City Public Works Committee

Re: Future Annexation problems due to Water Service Agreement with Rapid Valley Sanitary District

Members,

I attended a City Council meeting last year where the situation of certain Rapid City residents not being offered water or sewer services by Rapid City after annexation was discussed. The motion to look into this was made in response to a citizen complaint in reference to Copperfield water rates.

With the exception of two alderpersons, all present voted against the motion and most spoke out strongly against it, most with little or no knowledge of what a Sanitary District is. The reason most often cited was the contract between Rapid City and Rapid Valley Sanitation District (the District). My impression after watching this meeting was that the contract must be very long in term or very unbreakable.

I asked for this contract to be added to the agenda for the meeting today. Its term is indeed very long. But I've also attached proof that the contract must now be completely opened for renegotiation per the terms of the original agreement.

Reference:

1. Agenda attachment No. PW042704-02, Rapid Valley Sanitation District Water Service Agreement
2. Minutes of the District board meeting April 12, 2004
3. Agenda from the District board meeting March 8, 2004
4. Board member listing of the District.
5. Impact of current situation

Observations:

1. Section II, paragraph 1 of the Agreement clearly states: "...it is further specifically understood and agreed that this contract is based upon the assumption that the District will continue to buy the bulk of its water from the City... . If the District chooses to obtain substantial amounts of water from other sources ... , this agreement shall be subject to renegotiation upon sixty (60) days written notice to the other party."
2. As shown in the April 12 and the March 8 meetings, the District is building a water treatment plant and two additional tanks. This is material proof that the District has chosen to get most, if not all, of its water from sources other than the City.
3. Section V of the Agreement states: "The District agrees that the rates which it charges to its customers shall be equitable, non-discriminatory, and shall be based upon the actual cost of providing cost of service."
4. The new Construction Water Rates enacted at the April 12 board meeting of the District are not equitable, are not non-discriminatory and are not based upon the actual cost of providing cost of service. Effective April 13, 2004, the District will charge hydrant meter users twice what other District customers pay even though the City charges no more for hydrant water to the District. (Minutes from the District board meeting April 12, 2004, New Business item 1).
5. The current agreement unnecessarily limits both the City and the District in their efforts of growth and for the best serving of the most people, it should be renegotiated even if #1-4 above weren't true.

Possible solutions or points of renegotiation:

1. Sixty days notice that the water service agreement will be changed should immediately be given to the District.

2. The two largest water providers in the area should work together instead of in opposition or by themselves.
3. The City should work to help Copperfield residents be excluded from the District and begin offering water and sewer service to them. This also applies to other Rapid City property owners who are also a part of Rapid Valley Sanitary District or Rapid Canyon Sanitary District. See SDCL 34A-5-42
4. All future annexations should be done in such a way that the residents are afforded full city services as a result of annexation.
5. The City, Rapid Canyon Sanitary District and Rapid Valley Sanitary District (and surrounding water or sanitation districts) could combine their water and sewer efforts to form a consolidated district to best serve all people in the area. See SDCL 34A-5-46
6. If none of the above happen, all future annexation discussions will end abruptly or end in court.

Respectfully,

Curtis Claar

GUESTS: At this time the Chairman asked the two guests to introduce themselves. Curtis Claar, a resident from the Copperfield area, was also at the last meeting. Ray Hadley is a member of the Rapid City Council.

OLD BUSINESS:

1. **WATER TREATMENT PLANT UPDATE:** The engineer stated that David Lamb is still out of town and we have not heard back from him. The report has been revised based on Mr. Lamb's comments. If there is no response within a few weeks, the engineer will actively pursue contacting Mr. Lamb.
2. **SCHOOL DRIVE METERING PIT:** MainLine has started construction on the water main work. That part of the project is approximately 40% completed. The demolition inside the metering pit is complete. The contractor will proceed with the fittings as soon as the materials arrive. It is anticipated that the metering pit will be operational by May 14th.
3. **TANK SITE PROJECT:** The manager stated that he and the engineer met with Charles Johnson concerning the purchase of property for an additional tank site. The proposed site is just less than an acre and will be large enough for construction of a 3mg tank. The site is just north of the existing 1mg tank. Property will also be needed for an easement for the water main. The water main currently comes through the Copperfield Subdivision along the back of some lots. The engineer proposes skirting the subdivision to provide better access. The water main will be 14" – 16" connecting the tank to the water main along Elkvale Road. This item will be discussed further in Executive Session at the end of the meeting.
4. **ENGINEER'S REPORT ON JOBS IN PROGRESS:** The Engineer informed the Board that the SDDOT contract for the Concourse Drive extension had been awarded to Heavy Constructors. The portion of the project for the water and sewer main extensions is approximately \$65,000. This part of the project will probably not be done until 2005. Dwight Peterson made a motion to pass a resolution to approve the bid for the Concourse Dr. extension. Diana Nelson seconded the motion. Motion carried.

District personnel met with Heavy Constructors last week to discuss the issue of the sag in the sewer casing on Hwy. 44. The contractor will have the casing videotaped again before another meeting with District personnel.

The engineer stated that his firm is currently working on the loan application for the tank construction and water treatment plant.

**RAPID VALLEY SANITARY DISTRICT
BOARD OF TRUSTEES MEETING
April 12, 2004**

Chairman Clyde Elwood called the meeting to order at 7:00 p.m. Present at the meeting were Clyde Elwood, Tony Dupont, Dwight Peterson, Bob Bennett, Rick Hensley, Casey Allen, Diana Nelson, and Connie Olson. Absent was Leo Quinn. Also in attendance were: Jim Jester, General Manager; Toby Karn, Whiting Hagg & Hagg; Ted Schultz, CETEC; and Marty Garwood, District Clerk.

APPROVAL OF AGENDA: Connie Olson requested the addition of "Old Business #6 Radio Read Meters". The manager asked to have "New Business #6 Executive Session – Personnel" added. A motion was made by Rick Hensley to approve the agenda with the additions. Bob Bennett seconded the motion. Motion carried.

APPROVAL OF MINUTES, TREASURER'S REPORT AND MANAGER'S REPORT: Dwight Peterson made a motion to approve the minutes of the last meeting. Diana Nelson seconded the motion. Connie Olson asked that the minutes of the March 8, 2004 meeting be amended to reflect that she voted against going with the radio read meter program. She also asked that in the future the names of anyone voting against a motion be included in the minutes. Motion carried to approve the amended minutes.

The financial reports were mailed to the trustees for their review prior to the meeting. Discussion was held concerning the market (gain) loss item on the income statement. A motion was made by Tony Dupont to approve the Treasurer's Report. Rick Hensley seconded the motion. Motion carried.

The manager informed the Board that Ed Royalty had open-heart surgery last week and will be off work for some time. The service department has started installing the MXU radio read units on new construction. The manager also stated that he had met with Morgan Stanley last week and was pleased to report that the investments were doing quite well. Representatives from Morgan Stanley would like to meet with the Board during the summer. There was a service line leak on Butte Ct. today, which was the District's responsibility to repair under the new service line leak policy. There was also a main break last week on Sharp Dr. The manager stated that he is trying to schedule the Customer Appreciation Day for sometime in June. The School Drive metering pit is shut down at the present time due to the construction. Bob Bennett made a motion to approve the Manager's Report. Rick Hensley seconded the motion. Motion carried.

Subdivisions under construction include: Murphy Ranch, several phases of Trailwood Village, and Windgate.

5. FENCING AT WELL #2: The manager informed the board that he had obtained two estimates for fencing at well #2.

Fence Connection	7' = \$8,036	8' = \$8,430
Fence Company	7' = \$7,500	8' = \$8,500

The fencing will encompass the entire property. The manager stated that it might be possible to apply for Homeland Security grant monies next year. Tony Dupont made a motion to hire The Fence Company to install a 7' fence at a cost of \$7,500. Connie Olson seconded the motion. Motion carried.

- 5. RADIO READ METERS:** Connie Olson made a motion that the manager develop a short term and long term plan on the implementation of the MXU installation for the radio read meters. Diana Nelson seconded the motion. The manager stated that short term planning calls for the installation of the MXU units in new construction and as replacement for problem meters. Long range planning calls for replacement of meters in residences that currently have the touch read meters. This will be done after the large projects such as tank construction and WTP construction are complete. He stated he would put this in writing to present to the Board at the next meeting. Motion carried.

NEW BUSINESS:

- 1. CONSTRUCTION WATER RATES:** The manager informed the Board that construction companies purchasing water from the District through hydrant meters pay \$2.00/1,000 gallons which is the same rate all other District users pay. The manager suggested that the Board consider raising the rate to \$6.00/1,000 gallons for construction projects. There are currently 5 – 6 hydrant meters in use. The engineer stated that the Board might want to stipulate in the policy that companies working under contract to the District are excluded from paying for the water used in conjunction with that project. The water would still be metered to keep track of what is being used. Bob Bennett made a motion to increase the hydrant rates so that the rate is double the rate being charged to other District customers, excluding companies under contract to the District. Rick Hensley seconded the motion. The motion carried with only one dissenting vote by Connie Olson. The rate increase will go into effect immediately. At the present time, the hydrant rate will be \$4.00/1,000 gallons based on the District's current rate of \$2.00/1,000 gallons.
- 2. OLD VAN SALE:** A new 2005 Chevy van has been purchased and all the equipment has been transferred from the old van. The value of the old van is approximately \$6,000. The manager stated that several persons

have expressed an interest in purchasing the van. The attorney noted that the vehicle will have to be advertised as surplus property and the District will have to accept sealed bids. A reserve amount will apply.

3. **LEAK DETECTION SURVEY:** The manager stated that he has contacted two companies concerning have another leak detection survey done on the water system. Hughes Leak Detection has submitted a bid in the amount of \$15,102. The bid does not include a mobilization charge. The company stated there would not be a mobilization charge if they were already working in the area and were unwilling to commit to a set dollar amount if they have to mobilize. The other bid was from ME Simpson; the company that has done the previous two surveys. ME Simpson's bid states the cost will not exceed \$17,000. The last survey was done in May 2001. The manager recommended the Board accept the bid by ME Simpson, not only because of the quality of the previous work, but also because of the uncertainty of the mobilization charges with Hughes Leak Detection. A motion was made by Connie Olson to accept the \$17,000 bid and hire ME Simpson to perform a leak detection survey. Dwight Peterson seconded the motion. Motion carried.
4. **SEWER CLEANING SCHEDULED:** A-1 Sewer & Drain has done the cleaning and maintenance on the District's sewer mains for several years. Due to the confined space regulations and the small size of the District's jet machine, it is more cost efficient to hire the work done than for District personnel to do it. The cleaning has been done every two years. In 2003 the District was charged \$0.14/foot and the entire system was done. A-1 Sewer & Drain has asked if they could start doing ½ the system every year on a rotating basis starting this year. The manager recommended the District start this type of scheduling and the Board concurred.
5. **EXECUTIVE SESSION:** The Board went into Executive Session at 8:00 p.m. to discuss negotiations with Charles Johnson for the purchase of property as well as to discuss personnel issues. The Executive Session ended at 8:35 p.m. It was decided in the session to begin negotiations with Mr. Johnson at \$35,000.

There being no further business, the chairman declared the meeting adjourned at 8:40 p.m.

Marty Garwood, District Clerk

Date Signed

RAPID VALLEY SANITARY DISTRICT/WATER SERVICE
BOARD OF TRUSTEES MEETING
March 8, 2004

TENTATIVE AGENDA

CALL TO ORDER: 7:00 PM

ROLL CALL OF TRUSTEES

APPROVAL OF AGENDA

APPROVAL OF MINUTES

TREASURER'S REPORT

MANAGER'S REPORT

OLD BUSINESS:

1. Blue Cross Blue Shield – Jim Buck
2. Water Treatment Plant Update
 - a. Letter from David Lamb
3. Engineer's Report on Jobs in Progress
 - a. Tanks
 - b. School Drive Metering Pit bids
4. Water Service Repair Policy & Language
5. Radio Read Meters

NEW BUSINESS

1. Fencing at Well #2

RAPID VALLEY SANITARY DISTRICT

Board Members:

Clyde Elwood, Chairman
Tony Dupont
Dwight Peterson
Bob Bennett
Rick Hensley
Casey Allen
Diana Nelson
Connie Olson
Leo Quinn

General Manager:

Jim Jester

Attorney:

Toby Karn

Engineer:

Ted Schultz

District Clerk:

Marty Garwood

IMPACT OF CURRENT SITUATION

Although not always true, one generally expects to pay more taxes as they get more services. This isn't true in the Rapid City area -- especially after annexations.

As the chart below shows, as the taxes paid goes up, the total expenditures for tax and water/sewer services goes down ... except in the case of Copperfield and all similar past and future annexed property owners also within the boundaries of a water or sanitary district. To move from B to C would be desirable for thousands of people, but the same thousands of people will object to the actual move from B to D that will take place in most upcoming annexations.

<u>Area</u>	<u>Annual Water/Sewer</u>	<u>2003 Taxes</u>	<u>Total</u>
A. Pennington County (no district)	\$1000	\$2890	\$3890
B. Pennington County (RVSD)	\$585	\$2970	\$3555
C. Rapid City (not Copperfield)	\$435	\$3000	\$3435
D. Rapid City (Copperfield)	\$585	\$3080	\$3665

Assumptions:

- A. \$1000/year is amortized installation, maintenance and operation of well and septic (estimate). Total mill levy for Pennington County with no district: 17.8338
- B. Total mill levy for Pennington County (RVSD): 18.3152
- C. \$3000 Rapid City tax bill for 2003 property tax in most areas of Rapid City (actual amount depends on assessed value -- total mill levy 18.505)
- D. Total mill levy for Copperfield and others in both RVSD and the City: 18.9864
- E. Rates calculated on 7000 gallons of water usage per month
- F. All tax comparisons assume the same assessed value.