

Lazy P6 Land Co. Inc
505 Catron Boulevard
Rapid City, SD 57701
605-391-2027
July 5, 2011

PW080911-01

Rapid City Finance Officer
300 6th St.
Rapid City, SD 57701

RE: Lazy P-6 Land Co. Inc: Drainage Basin Fee Reimbursement for Completed Elements.

Between 1988 and 1990, Rapid city created a Drainage (Design) Criteria Manual (DCM) and "*An Interim Policy on Drainage Basin Improvement Fees*" (Policy), which is apparently the policy used today.

During this period and for several years after, Rapid City hired certain private consultants to prepare Drainage Basin Plans, each named for some major identifying feature within the studied area. These areas were selected based on topographical continuity, where a specific downstream outlet(s) identified the terminus of the study area. Usually there was only one major outlet study point, although several intermediate ones were common.

The plans contained various elements, primarily improved or natural channels connecting to and interacting with Detention Ponds. Major engineering structures – large pipes or box culverts – were also identified. All of these were categorized as conveyance elements and identified by letters, numbers or symbols for ease of interpretation.

While beyond the scope of this request, in general, two interactive computer models are used to compute the quantity and balance the overland routing of a 10 & 100 year recurrence interval rainfall event from a fully developed basin. The assumption is that the 100 year event occurs simultaneously over the basin boundary. The process starts with the amount of rainfall runoff from development in existence at the time the study begins. The recommendations, however, are based on all the land area developed. These are used together for comparison.

A completed plan includes, among other things, a routing schematic that identifies the major elements, a narrative description of each and a cost estimate of each.

The goal is to minimize the impact of rainfall runoff from undeveloped property when it incrementally evolves into vast tracts of rooftops, asphalt and concrete surfaces.

The South Truck Route Drainage Basin Design Plan (STP) is the one that drives the costs incurred by Lazy P6.

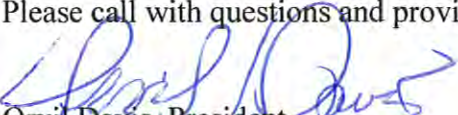
Numerous references make it clear that land owners (developers) are responsible for the costs of the improvements identified in any basin plan, to be reimbursed by the city through a system of drainage basin fees. The Policy makes it clear that Rapid City shall collect fees from all newly (post 1990) developed areas. To date, the city has not presented an audited summary of basin fees collected since the Policy was implemented.

Lazy P6 is billing the city to reimburse Lazy P6 \$656,250 for improvements it has constructed in accordance with the STP elements, using the estimates provided in Table F, attached.

Presumably fuel and material prices have made these estimates a little low.

A detailed accounting, based on the approved STP improvements estimate table is attached.

Please call with questions and provide a reimbursement timetable within the next 30 days.


Orvil Davis, President
Lazy P-6 Land Co. Inc.

Cc: Centerline; Ed Carpenter

**Drainage Basin Fee Reimbursement
Lazy P6 Land Co., Inc June 14, 2011**

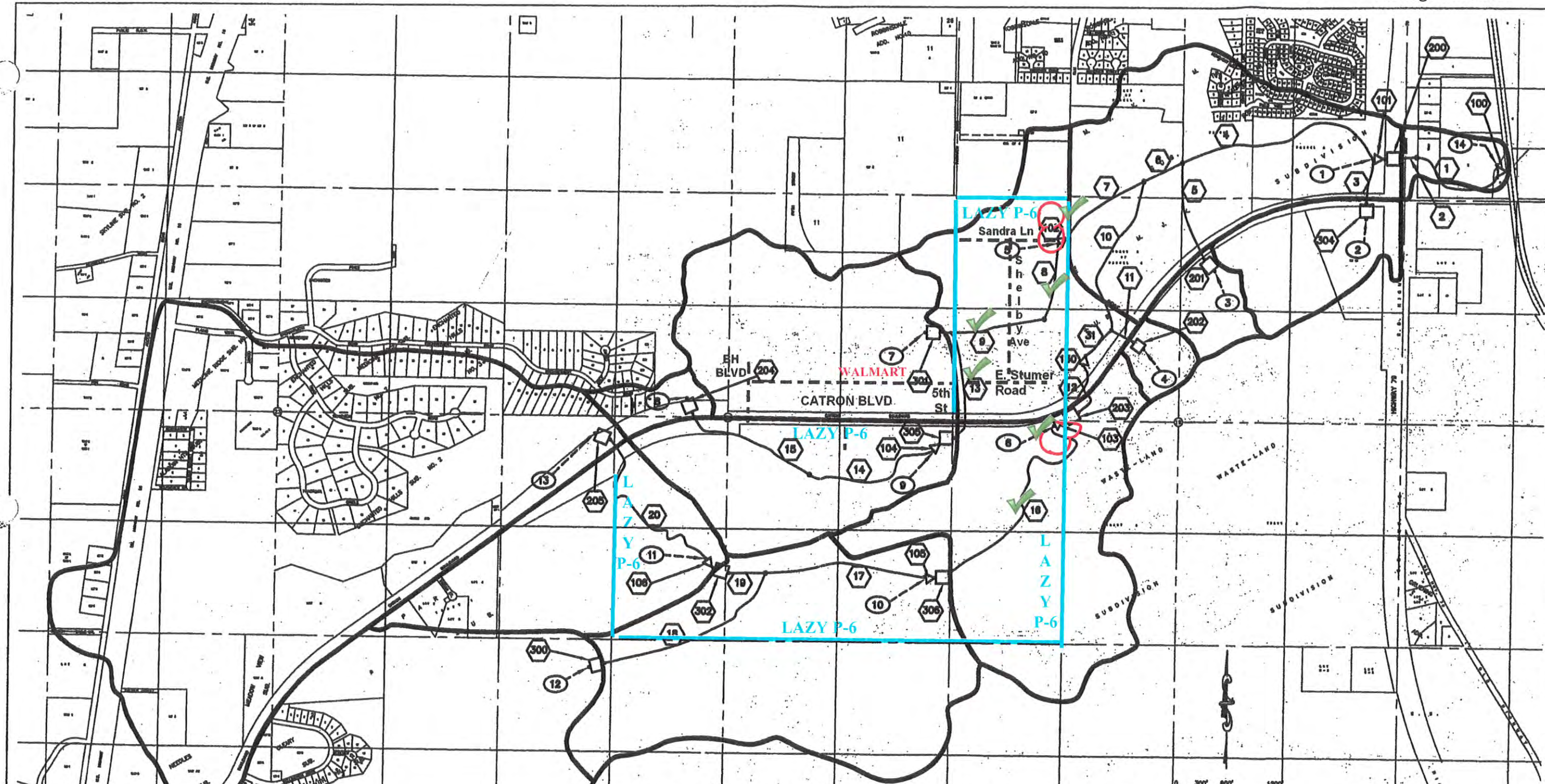
**South Truck Route Drainage Basin Plan (DBP) Improvement Costs
to Lazy P6 Land Co., Inc to June 2011
(* Reference Table F, Page F7 DBDP)**

P6 DBP Elements	Desc	DBP Estimate	P6 Built	25% * Eng/Admin	<u>P6</u> <u>TOTAL</u>	Comments
7	Elm St	155,000	50,000	12500	62,500	P6 Contribution: Detention to help Element 7
8	Channel	140,000	140,000	35000	175,000	
9	Channel	75,000	75,000	18750	93,750	
13	48" RCP	200,000	50,000	12500	62,500	Pro-rated share from 5th St Assessed
16	Channel	110,000	110,000	27500	137,500	
203	MP 203	140,000	100,000	25000	125,000	P6 Portion. City to complete.
305	MP305	85,000	0	0	0	
14	Stm Swr	220,000	0	0	0	
15	Channel	40,000	0	0	0	
306	MP 306	150,000	0	0	0	
17	Channel	175,000	0	0	0	
19	Channel	15,000	0	0	0	
18	* Channel	125,000	0	0	0	
302	MP 302	75,000	0	0	0	
20	Channel	160,000	0	0	0	
No Eng/Admin markup		0		0	0	
Improvements ONLY		\$ 1,865,000	525,000	131,250	\$ 656,250	Lazy P6 built to date

* Partial on P6 property

TABLE.F3 - SUMMARY OF DESIGN PLAN OPTIONAL ROUTING
RECOMMENDED IMPROVEMENTS AND ESTIMATED COSTS

NUMBER	RECOMMENDED IMPROVEMENT	ESTIMATED COST
1	Construct new channel.	\$50,000.00
2	Extend both ends of box culvert, side taper inlet.	\$160,000.00
3	Construct new channel.	\$10,000.00
4	Construct new channel with drop structures	\$225,000.00
5	Construct new channel with partial geotextile lining.	\$15,000.00
6	Construct new channel with drop structures	\$75,000.00
7	Construct new channel with drop structures & construct box culvert at Elm Avenue crossing.	\$155,000.00
8	Construct new channel with drop structures.	\$140,000.00
9	Construct new channel with drop structures.	\$75,000.00
10	Construct new channel with drop structures & construct Elm Avenue/Rearage Road crossing	\$265,000.00
11	No improvements	NA
12	Construct new channel with drop structures.	\$60,000.00
13	Construct storm sewer	\$200,000.00
14	Replace channel with storm sewer.	\$220,000.00
15	Regrade channel and line with geotextile..	\$40,000.00
16	Construct new channel with drop structures.	\$110,000.00
17	Construct new channel with drop structures.	\$175,000.00
18	Construct new channel with drop structures.	\$225,000.00
19	Construct new channel.	\$15,000.00
20	Line upper segment of channel with gabions.	\$160,000.00
31	Construct new channel with drop structures	\$45,000.00
200	Modify existing metering pond. (Costs Under Element 2)	NA
201	Modify existing metering pond.	\$2,000.00
202	Modify existing metering pond.	\$3,000.00
203	Modify existing metering pond.	\$140,000.00
204	Modify existing metering pond.	\$5,000.00
205	Modify existing metering pond..	\$15,000.00
300	New metering pond.	\$65,000.00
301	New metering pond.	\$110,000.00
302	New metering pond.	\$75,000.00
304	Install riser to create new metering pond.	\$5,000.00
305	New metering pond	\$85,000.00
306	New metering pond	\$150,000.00
IMPROVEMENTS SUBTOTAL TOTAL		\$3,075,000.00
5% CONTINGENCY		\$155,000.00
25% ENGINEERING/ADMINISTRATION		\$770,000.00
TOTAL COST OF DESIGN PLAN IMPROVEMENTS		\$4,000,000.00



DESIGN PLAN WITH OPTIONAL ROUTING RECOMMENDED IMPROVEMENTS

ELEMENT	IMPROVEMENT	ELEMENT	IMPROVEMENT
1	CONSTRUCT NEW CHANNEL	16	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES
2	EXTEND AND IMPROVE BOX CULVERT	17	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES
3	CONSTRUCT NEW CHANNEL	18	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES
4	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES	19	CONSTRUCT NEW CHANNEL
5	CONSTRUCT NEW CHANNEL WITH PARTIAL GEOTEXTILE LINING	20	REGRADE AND ARMOR UPPER SEGMENT OF CHANNEL
6	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES	200	MODIFY EXISTING METERING POND
7	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES AND	201	MODIFY EXISTING METERING POND
	CONSTRUCT BOX CULVERT AT ELM AVENUE CROSSING	202	MODIFY EXISTING METERING POND
8	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES	203	MODIFY EXISTING METERING POND
9	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES	204	MODIFY EXISTING METERING POND
10	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES AND	205	MODIFY EXISTING METERING POND
	CONSTRUCT CROSSING AT ELM AVENUE	300	NEW METERING POND
11	NO IMPROVEMENTS	301	NEW METERING POND
12	CONSTRUCT NEW CHANNEL WITH DROP STRUCTURES	302	NEW METERING POND
13	NEW STORM SEWER SYSTEM	304	NEW METERING POND
14	REPLACE CHANNEL WITH STORM SEWER	305	NEW METERING POND
15	REGRADE CHANNEL AND LINE WITH GEOTEXTILE	308	NEW METERING POND

LEGEND

STREET

SUB-BASIN INFLOW

DIRECT FLOW ELEMENT

DETENTION POND ELEMENT

CHANNEL OR PIPE FLOW CONVEYANCE ELEMENT

FLOW ELEMENT IDENTIFIER

F M G, Inc.
 3700 Sturgis Road
 Rapid City, SD 57702-0317
 Phone: 605-342-4444 FAX: 605-342-4444

File Number: 84718672341000
 Location: BLACK HILLS METRO
 Surveyed By: [blank]
 Date: [blank]
 Designed By: [blank]
 Drawn By: [blank]
 Checked By: [blank]

**SOUTH TRUCK ROUTE
 DRAINAGE BASIN DESIGN PLAN
 RAPID CITY, SOUTH DAKOTA**

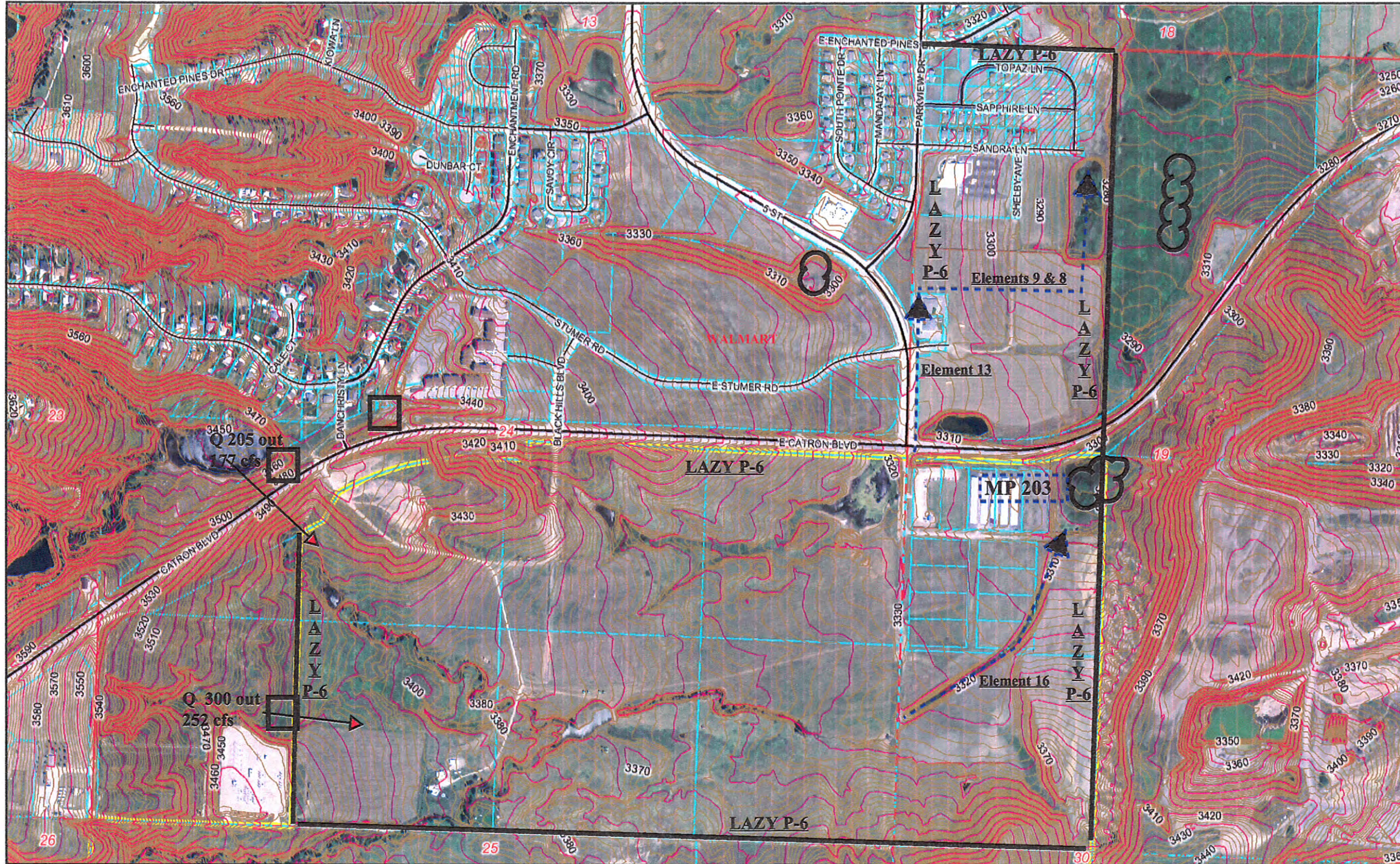
Revision / Date
 Sheet Name:

**DESIGN PLAN
 WITH
 OPTIONAL
 ROUTING
 SCHEMATIC**

Figure Number:

F1

Fee: \$2,085/ac



Legend

- Roads**
 - Not classified
 - Interstate
 - US Highway
 - SD Highway
 - County Highway
 - Main Road
 - Minor Arterial
 - Collector
 - Ramp
 - Paved Road
 - Unpaved Road
 - Unimproved Road
 - Trail
 - other
 - Not yet coded
- City Contour Lines**
 - INDEX
 - INTERMEDIATE
- Township/Section lines**
 - SECTION
 - TOWNSHIP
- Parcel Boundary**
- Lot Lines**
- COUNTY**
- LOT LINE**
- PARCEL LINE**
- ROAD ROW**
- RR ROW**
- SECTION**
- TOWNSHIP**
- WATER LINE**
- PLSS Sections**
- County Line**
- City Boundaries**
 - Rapid City
 - Box Elder
 - New Underwood
 - Wasta
 - Wall
 - Quinn
 - Hill City
 - Keystone

0 800 1600 2400 ft.

Map center: 44° 1' 52.7" N, 103° 13' 0.3" W

Scale: 1:8,357

DISCLAIMER: This map is provided "as is" without warranty of any representation of accuracy, timeliness, or completeness. The burden for determining accuracy, completeness, timeliness, merchantability, and fitness for or the appropriateness for use rests solely on the user. Rapid City and Pennington County make no warranties, express or implied, as to the use of the map. There are no implied warranties of merchantability or fitness for a particular purpose. The user acknowledges and accepts the limitations of the map, including the fact that the data used to create the map is dynamic and is in a constant state of maintenance, correction, and update. This document does not represent a legal survey of the land. There are no restrictions on the distribution of printed Rapid City/Pennington County maps, other than the City of Rapid City copyright/credit notice must be legible on the print. The user agrees to recognize and honor in perpetuity the copyrights and other proprietary claims for the map(s) established or produced by the City of Rapid City or the vendors furnishing said items to the City of Rapid City.

POLICY MEMORANDUM

ENGINEERING DIVISION

SUBJECT: INTERIM POLICY ON DRAINAGE BASIN IMPROVEMENT FEES

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SUMMARY:

Several Drainage Basin Design Plans are in place. These plans identify specific improvements, such as metering dams, channels, culverts, etc. that are necessary to control storm runoff.

Some of the plans, The Un-named Tributary Plan for example, have been used in the past to collect fees from the owners of developing properties. Most of the plans, however, have not been used in this manner.

It is the intent of this interim policy to describe fee payment methods for basins which have Master Design Plans in place.

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POLICY:

It is the intent of the City of Rapid City to control storm water runoff in basins under its jurisdiction. It has been determined that uncontrolled runoff poses a potential threat to life and property, and that extreme flooding has occurred and will occur again. The City has adopted a Drainage Criteria Manual and is in the process of developing numerous Drainage Basin Design Plans to deal with this problem.

It is recognized that the creation of formal fee collection processes in these basins is necessary and a method is being pursued.

It is also recognized that development continues in these basins that will add to existing runoff problems.

It therefore will be an interim policy of the City to require payment of a fee in all basins for which a Design Plan has been prepared. These payments will be due at the time of lot splitting, building permit application or platting, and then only when the proposed use results in the construction or installation of surfaces that will increase the runoff from that parcel of land.

If no formal fee collection process has been created for a basin, the fee will be determined by dividing the cost of all improvements identified in the Design Plan, by the total number of acres in the basin. This amount will be multiplied times the number of acres in the parcel being developed. If the developed land is a smaller part of a larger, undeveloped parcel or tract, the fee will apply to that portion that would normally be required for the use proposed.

In lieu of this fee, the owner may be directed to perform off site improvements equal to the fee and in accordance with the recommendations of the Design Plan.

Any work done to control stormwater runoff shall be in accordance with the City of Rapid City's Drainage Criteria Manual; Standard Specifications for Public Works Construction; or Utility Construction Code, as applicable.

Payment of interim fees does not relieve owners from fees established by a formal collection process, however, any fees determined by this interim policy may be applied to future fee requirements.

This fee does not relieve the owner of providing on site improvements, such as storm sewers and inlets, that would be required to collect street runoff or provide site drainage.

Property owners have the right to petition the Planning Commission and City Council if; the owner can show that the fees have been inaccurately determined, or that the Design Plan is flawed in its analysis or recommendations, or if the owner can show that his proposed development will not add any additional runoff to the basin.

Authority for this policy is Art.IV. Section 8 and Art.V Section 6 of Appendix B - Subdivision Ordinances of the City of Rapid City.

FINANCE OFFICE TREASURY REPORT
JUNE 2011

NO	FUND NAME	BEG. BALANCE	RECEIVED	DISBURSED	TRANSFERRED IN (OUT)	ENDING BALANCE
101	GENERAL	6,593,537.25	3,200,407.15	3,305,736.55		6,488,207.85
103	TAX INC DIST #33	2,122.68	1.28	0.00		2,123.96
107	2012	11,668,552.03	761,191.72	1,645,770.33		10,783,973.42
250	IT CAPITAL ASSET FUND	31,049.83	0.00	0.00		31,049.83
253	OCCUPANCY TAX	74,446.60	108,045.11	62,642.52		119,849.19
254	DOWNTOWN BID	14,224.20	16.15	0.90		14,240.35
260	REPAIR & DEMOLITION	114,002.02	816.09	440.00		114,378.11
270	EROISION SEDIMENT FUND	76,781.09	4,200.00	3,877.90		77,103.19
275	DRAINAGE FUND	619,952.01	1,596.70	0.00		621,548.71
402	SAB 28 BONDS	3,404,452.97	136,616.43	0.00		3,541,069.40
421	2009 CONSOLIDATED	(70,953.62)	0.00	0.00		(70,953.62)
425	2008 CONSOLIDATED	(14,072.40)	0.00	0.00		(14,072.40)
427	TAX INC DIST 66	92.50	0.00	0.00		92.50
429	TAX INC DIST 67	15,062.51	1,022.34	0.00		16,084.85
430	TAX INC DIST 70	146,316.42	217.54	0.00		146,533.96
431	TAX INC DIST 68	12,686.47	11.60	0.00		12,698.07
433	TAX INC DIST 65	16,497.81	15.27	0.00		16,513.08
464	TAX INC DIST#62	250,825.86	39,019.17	0.00		289,845.03
465	TAX INC DIST#61	3.71	1,826.15	1,826.15		3.71
466	TAX INC DIST #63	16.90	0.02	0.00		16.92
467	TAX INC DIST #59	1,238.52	1.49	1,236.76		3.25
468	TAX INC DIST #29	2,143.16	2.57	0.00		2,145.73
470	TAX INC DIST 55	1.87	48,205.45	48,205.45		1.87
471	TAX INC DIST 56	72,321.26	95,601.24	95,514.50		72,408.00
472	TAX INC DIST 69	99,054.89	5,959.56	0.00		105,014.45
473	TAX INC DIST 54	(2,050.00)	9,609.83	7,559.88		(0.00)
478	TAX INC DIST #44	0.23	152,968.43	152,968.43		0.23
479	TAX INC DIST #46	55,146.86	0.00	0.00		55,146.86
481	TAX INC DIST #48	0.00	0.00	0.00		0.00
482	TAX INC DIST #19	0.00	0.00	0.00		0.00
483	TAX INC DIST #50	579.47	37,048.78	37,014.38		613.87
484	TAX INC DIST #49	837,509.74	1,004.51	836,322.20		2,192.05
485	TAX INC DIST #52	435.30	0.49	0.00		435.79
486	TAX INC DIST #51	113,139.02	13,655.78	126,726.90		67.90
487	TAX INC DIST #53	6.58	36,082.64	36,082.64		6.58
488	TAX INC DIST #47	1.54	7,938.16	7,938.16		1.54
490	TAX INC DIST #36	(0.00)	34,360.66	0.00		34,360.66
491	TAX INC DIST #38	152,289.73	42,314.56	46,832.02		147,772.27
492	TAX INC DIST #39	164.30	8,392.20	8,392.01		164.49
493	TAX INC DIST #40	2.06	5,843.26	5,843.26		2.06
494	TAX INC DIST #41	11,404.56	133,151.88	133,138.20		11,418.24
495	TAX INC DIST #42	11,995.31	100,989.81	100,975.42		12,009.70
496	TAX INC DIST #43	42,914.05	0.00	0.00		42,914.05
501	AIRPORT AIP FUND	(617,544.63)	16,602.47	812,587.97		(1,413,530.13)
505	CONSOL CONSTRUCTION	11,726,265.00	846,628.92	1,361,970.42		11,210,923.50
510	COMMUNITY DEVELOPMENT	9,275.78	17,204.69	23,647.69		2,832.78
511	ARRA COMM DEVELOPMENT	(6,491.97)	6,491.97	0.00		0.00
602	WATER ENTERPRISE	4,787,620.91	793,724.48	2,255,317.59		3,326,027.80
604	WASTEWTR ENTERPRISE	8,500,449.55	806,305.87	1,422,047.11		7,884,708.31
605	UTILITY FACILITY FUND	10,324,627.44	348,805.30	0.00		10,673,432.74
606	AIRPORT ENTERPRISE	1,082,980.04	205,923.30	280,726.74		1,008,176.60
607	CEMETERY ENTERPRISE	123,651.46	16,230.47	22,310.44		117,571.49
608	TRANS. TERMINAL	165,054.63	3,646.72	4,840.90		163,860.45
610	PARKING LOT & AREA	401,376.66	60,013.68	32,144.46		429,245.88
612	SOLID WASTE COLLECTION	1,869,954.43	183,147.71	110,655.03		1,942,447.11
613	GOLF COURSE ENTERPRISE	119,775.59	176,658.42	150,435.92		145,998.09
614	EXECUTIVE GOLF COURSE	(45,224.02)	27,908.27	17,237.71		(34,553.46)
615	SOLID WASTE DISPOSAL	3,027,963.60	253,390.65	191,859.58		3,089,494.67
616	SOLID WASTE MRF	6,083,288.60	425,995.84	169,208.07		6,340,076.37
618	AMBULANCE ENTERPRISES	854,095.53	267,761.39	206,626.09		915,230.83
702	PAYROLL WITHHOLDING	289,348.75	730,589.12	729,163.63		290,774.24
710	CUST. WATER ADVANCE	759,537.49	9,083.53	0.00		768,621.02
715	REHABILITATION ESCROW	55,490.88	614.63	0.00		56,105.51
718	EDUCATION LOAN PROG	11,133.07	982.57	0.00		12,115.64
726	CEMETERY ENDOWMENT	55,451.89	352.38	0.00		55,804.27
728	SOLID WASTE PER CARE	2,609,434.12	3,129.76	0.00		2,612,563.88
730	MEADOWBROOK DEV FUND	43,048.35	8,793.16	0.00		51,841.51
732	EXECUTIVE DEV FUND	15,459.69	2,791.16	0.00		18,250.85
734	AIRPORT CAPITAL FUND	3,873,654.46	52,295.58	34,834.15		3,891,115.89
747	CONSOL. INTEREST	105,774.28	(36,707.79)	0.00		69,066.49
775	CIVIC CENTER	941,503.87	363,125.80	468,481.63		836,148.04
777	ENERGY PLANT REV FUND	(180,765.98)	24,263.58	21,305.22		(177,807.62)
782	AIRPORT PFC FUND	727,950.56	2,161,942.84	530,194.90		2,359,698.50
783	LICENSE & TRUST	1,401,428.65	342,479.42	246,764.76		1,497,143.31
785	RSVP	(5,573.39)	2,791.49	7,585.77		(10,367.67)
787	UNEMPLOYMENT INS.	260,038.59	0.00	0.00		260,038.59
788	TAX INC DIST #35	2.79	0.00	0.00		2.79
789	GROUP INS.	7,448,519.06	536,044.87	492,007.88		7,492,556.05
790	DENTAL INS.	90,578.03	13,291.05	21,512.69		82,356.39
791	SECTION 125	7,054.58	25,148.85	23,047.63		9,155.80
792	WORKERS COMP	1,817,049.31	2,203.02	60,041.12		1,759,211.21
793	LIABILITY INSURANCE	1,152,679.04	1,540.07	13,549.78		1,140,669.33
996	LIBRARY BOARD	91,497.41	10,961.40	10,876.79		91,582.02
	TOTAL	94,331,309.39	13,700,290.71	16,386,025.33	0.00	91,645,574.77